

NOTE BY THE CHAIRMAN  
FOR THE "COMITE DES GOUVERNEURS DE LA C.E.E."

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The establishment of the "Comité des Gouverneurs de la C.E.E." implies that this body will have to play a rôle in the harmonisation of member countries' monetary policies. Such harmonisation presupposes

- (a) that the Governors are well-informed about the more important developments in each other's countries;
- (b) that there is, to a certain extent, a common method of analysing these developments; and
- (c) that there is a certain measure of agreement concerning policy aims.

Condition (a) calls for the provision of concise documentation before each meeting of the Committee. Proposals in this respect have already been submitted.

Condition (b) may necessitate some technical preparations.

An attempt will be made below to point out the problems which may need further consideration in the analytical field and the questions which may lend themselves to discussions at policy level.

1. BALANCE OF PAYMENTS

Analytical problems

- (a) What external balances does policy react to in the various countries? What is the economic significance of the different balances?

One could mention:

- (i) the balance on current account

- (ii) the basic balance
  - (iii) the national liquidity surplus or deficit
  - (iv) various total balances: Esteva method  
IMF method  
other methods
- (b) Relationship between short-term capital movements and interest rate differentials.

Policy questions

- (a) What norms are to be observed for the different external balances?
- (b) Policy regarding capital movements (cf. items 2(f) and 5).

2. EXTERNAL RESERVES

Analytical problems

It seems practical to apply the definitions used in the Esteva tables.

Policy questions

- (a) Norms regarding the amount of official reserves.
- (b) Harmonisation of the composition of these reserves.
- (c) Policy regarding central-bank aid.
- (d) Closely connected with the foregoing: attitude towards problems concerning the international monetary system.
- (e) Possibility and desirability of the creation of EEC reserves.
- (f) Policy regarding the external assets and liabilities of private banks.

### 3. MONEY-MARKET POLICY

#### Analytical problems

(a) Available policy instruments:

- (i) discount rate and interest policy
- (ii) open-market policy
- (iii) cash-reserve requirements  
(cf. Study on money markets published by the BIS in November 1960.)

#### Policy problems

Harmonisation of money-market policies.

### 4. CREDIT POLICY

#### Analytical problems

(a) Available tools of credit policy:

- (i) interest rate policy
- (ii) access to the central bank
- (iii) tightening of money market
- (iv) liquidity ratios
- (v) ceilings to bank lending

(cf. Study published by the EEC: Instruments of Monetary Policy in the Countries of the European Economic Community, Brussels, 1962.)

(b) Liquidity analysis.

#### Policy questions

- (a) Actual developments regarding the supply of liquidity in the various countries. Possibility of establishing common standards.

- (b) Relationship with the Treasury in the various countries.
- (c) Policies regarding bank lending to the private sector in the recent past and policy intentions for the near future. Possible repercussions in the other member countries. Desirability of harmonising credit policy.
- (d) Desirability of a common policy concerning bank lending to foreign banks and enterprises:
  - (i) inside the Community
  - (ii) with respect to third countries.

5. CAPITAL-MARKET POLICY

Analytical problems

Rôle of the central bank in the capital market.

Policy questions

- (a) Intervention in the capital market.
- (b) Policy regarding foreign issues.

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