European Community

European Community Information Service
350 Sparks Street, suite 1110, Ottawa, Ontario K1R 7S8

INFORMATION NOTE

SINGLE EUROPEAN CURRENCY WOULD STEADY WORLD TRADE

Plea to Put Monetary Union Back on Agenda

The following is extracted from a speech by Christopher Tugendhat, Commission Member responsible for the Budget, given in London on 7 October 1977.

....

In addition to economic benefits, a significant narrowing of divergences between the Community's more and less prosperous areas would of course also bring the Community political gains. Most notably, it would remove some of the major obstacles to the achievement of European monetary union. This is n objective for which the Commission intends to campaign publicly and vigorously, with the aim of establishing a climate sufficiently favourable to cause member governments to replace it on their political agendas.

The conventional wisdom currently prevalent in most of Europe's national capitals is that monetary union is a distant possibility towards which the Community cannot begin to make any progress until it masters both inflation and unemployment. What the Commission is trying to do is to provoke serious examination of an alternative thesis: namely, that, far from it being necessary to wait for the Community to overcome its economic problems before moving to a single currency, the relatively speedy introduction of such a currency would itself greatly assist in solving them.

One reason why this would be so is that a single European currency would be a far more substantial and stable element in the international exchange system than the existing separate European currencies. This would not only have a steadying effect on world trading conditions, but it would also remove the present constraints on economic management by member states with balance of payments problems: inhibitions about moderate reflation arising from fears that exchange rates would fall precipitately in consequence, would be greatly reduced. Moreover, a common currency would ensure that all the trade which takes place between the member states themselves - that is about half the Community's exports - would be freed from any exchange rate risk whatsoever. This would be bound to give a major boost to confidence and thus to industrial investment.

../2

NR (77) 39
24 October

Obviously monetary union raises many other and complex issues, and the outcome of their further discussion and examination cannot be certain. But it would surely be wholly wrong if a topic of such crucial significance were to remain neglected by Europe's political leaders, merely in consequence of prejudice or intellectual inertia. To prevent this happening is perhaps the most exciting and also the most important challenge which the present Commission faces.
