

11th February 1975



OPINION ADDRESSED TO THE COUNCIL AND THE COMMISSION

In pursuance of the mandate given by the Council of the European Communities at its meeting on 19th December 1974, the Committee of Governors has examined the Commission's proposal for a Council Regulation which would extend the functions of the European Monetary Co-operation Fund in the field of co-ordination of the domestic and external monetary policies of member countries (document COM (74) 2106 Final, dated 11th December 1974).

Basically, the Commission's proposal is that, in addition to its present functions in connection with the Community exchange system and the short and very short-term credit mechanisms, the Fund should be entrusted with the co-ordination of member countries' domestic and external monetary policies. It would promote such co-ordination principally by:

- providing for regular advance consultations on central-bank monetary and credit policies and the external monetary policies of member countries;
- arranging a continuous exchange of information on all operations undertaken on the international foreign exchange and capital markets;
- recommending measures to be taken by the central banks in order to avoid disturbances in the monetary and foreign exchange situations of member countries;
- submitting Opinions to the Commission on the main lines of member countries' domestic and external monetary policies with a view to assisting it in drawing up proposals for submission to the Council.

In conjunction with these new functions, a Director-General of the Fund would be appointed and a permanent administrative organisation created.

The Commission's proposal briefly summarised above calls forth the following observations.

1. Like the Commission, the Committee of Governors regretfully has to note that the co-ordination of monetary policies has not been as effective over the years as it should have been and that it has not been possible to maintain stability and mutual consistency in Community currencies' exchange rates.

2. This is the case in spite of the work undertaken by the various committees assigned tasks in this field by the Council. The Committee of Governors, for its part, has maintained continuous consultation among the central banks in line with the Council Decisions of 8th May 1964, 22nd March 1971 and 18th February 1974 and has, in particular, devoted a large part of its time to problems of external monetary policy.

3. The disappointing state of affairs referred to above is attributable both to a lack of support from other policies on which the achievement of greater convergence of national economic situations more directly depends and to the worsening of external conditions which has had varying repercussions on individual member countries.

4. It cannot be said, moreover, that a lack of appropriate machinery is to blame for the shortcomings in the field of co-ordination. The meetings of the Committee of Governors are supplemented by more frequent meetings of their Alternates and of the groups of experts made up of officials who in their respective central banks are involved in the preparation and implementation of exchange policy and domestic monetary policy. These meetings consequently bring together officials who, at their different levels, can ensure that the Community discussions have a maximum of effectiveness. Moreover, the Commission is represented in all the bodies forming part of this machinery. It is therefore able to express its views and exert an influence on the process of deliberation and consultation thereby established between the central banks. At the same time, it receives the documentation that is produced.

5. The instruments and procedures applied in the co-ordination of monetary policy are certainly open to further improvement and the Committee of Governors intends to persist with its efforts in this direction, especially in such fields as capital movements.

6. There is no reason to expect, therefore, that a redistribution of functions among existing committees and other bodies, accompanied by additional administrative structures, would have a serious chance of yielding more favourable results in the matter of co-ordination of domestic and external monetary policies.

7. Irrespective of this practical aspect of the matter, the Committee of Governors feels that the Commission's proposal would be likely to create institutional problems, given the differences in the way powers in regard to monetary policy are divided in the individual countries.

In conclusion, the Committee of Governors considers that it would be premature at this stage to embark upon the course suggested by the Commission.

It wishes to emphasise, however, that this standpoint is not to be interpreted as implying that the Committee of Governors would be opposed to the further development of the EMCOF in the future, along lines then deemed appropriate. Indeed, the Committee considers that in due course this institution should become the Community organisation of central banks, acting parallel to a Community executive and within the framework of general economic policy guide-lines drawn up by that executive. Finally, it should be pointed out that, as regards the organisation of the EMCOF, the Board of Governors of that institution already possesses the necessary powers under the Statutes to develop the organisation of the Fund at such time as circumstances are deemed to require it.