

*Il Governatore della Banca d'Italia*

Rome, 18 August 1989

*Dear Erik,*

Many thanks for your letter of July 28th.

I think you touch there a very important issue, one which I raised in several instances when talking about an ex-ante coordination of monetary policies in the EMS. Indeed the experts of the Banca d'Italia, together with those from other central banks, suggested, in one of the reports of the group of experts chaired by Mr. Dalgaard, something similar to what you yourself outline in your letter. I fully agree, therefore, that we look at the issue and at your proposal, with the help of our alternates and experts, in the framework of the action to enact phase one of our report on the economic and monetary union.

The only minor point on which I disagree is about the possibility of limiting the exercise to the narrow band countries. I do not think this to be justified given the limited use which we are now making of the wider band, the fact that we hope we will soon dispose of the wider band and given the determination that our Spanish friends are showing in complying with the EMS rules.

On a more general ground, I think that as from September we should definitely quicken the pace of our work for enhancing the role of our Committee. I think that the rewriting of our internal rules of procedure could be a good instrument to accomplish this result. In this respect I attach particular importance to the organization of a permanent group of high caliber experts to prepare our work.

*Truly yours,  
Carls*

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