

COMMISSION
OF THE
EUROPEAN COMMUNITIES

Office of the President

Brussels, 24 October 1988

JDx/tdr

4838

FOR THE ATTENTION OF MR. G. BAER
ASSISTANT MANAGER MONETARY AND ECONOMIC DEPARTMENT
BANK FOR INTERNATIONAL SETTLEMENTS
(Telefax number : 41.61.23.85.07)

1. Daniel GROS and I will join you and TOMMASO in the Banca d'Italia office at 10.15 tomorrow. I attach some comments that I have on the GROS paper. I have to leave at about 11.30.
2. TOMMASO has a meeting with Claus EHLERMANN at 12.30.
3. Unfortunately neither Jean-Paul nor I is free at lunch time.
4. We will then meet in the small dining-room of the 13th floor of the Berlaymont at 15.00.

Joly DIXON

Enclosure(s): 1

Brussels, 24 October 1988
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Note to the File

Subject: Comments on Gros Note on Paradigms for Monetary Union

1. General

To my mind the main use of this note for the work of the Committee is in the exploration of the question of whether a monetary union should have one currency or not; and I think that should be re-drafted somewhat to address that question more overtly.

2. Detailed Points

Page 2; paragraph 3. I do not see why this is true. I think that you can have a completely hegemonistic system whether you have full MU or not. (The B/Lux case is a demonstration of full hegemony with full MU).

paragraph 4 should make it clear that the exchange rate is lost as a policy instrument for adjustment within the union. It is still available for adjustment of the union vis-à-vis the outside.

Pages 4, 5 and 6.

In the list of the elements of "small print" I think that a fundamental distinction has to be made between real small print type items like bid-ask spreads, and the credibility point. There are two issues to be highlighted:-

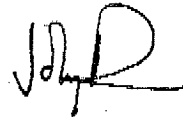
- What measures can be taken to make a MU fully credible even while separate national currencies are maintained (presumably for political decisions)?
- What measures can be taken to create a full micro-union even if there are several currencies (i.e. how can transaction costs be minimised?)

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Page 7. The difference between a quasi-macro MU and a real macro MU should bring out the above.

Page 8 and 9.

The costs and benefits are examined from various points of view: macro; micro; political. I'm not sure that the distinction is very useful: e.g. contrast 1) and 7).



Joly DIXON

CC: JPM
DG