

9th December 1988

**To:** M. Delors

**From:** Gunter D. Baer  
Tommaso Padoa-Schioppa

**Ref:** Status report on Governor Hoffmeyer's questionnaire

Following the distribution of the Hoffmeyer table at the last meeting of the Committee, Governor Hoffmeyer has written again to all Committee members on 11th November 1988, suggesting that:

"the table distributed at our November meeting be filled in and returned to the two Rapporteurs with a view to be considered in connection with the Committee's further deliberations".

So far three Committee members have sent in replies: Mr. Jaans and Governor Pöhl provided identical answers, saying in essence that any (binding) co-ordination would not be possible under present legal provisions. Governor Leigh-Pemberton added to the completed questionnaire an explanatory letter which indicates that there might be some scope for ex ante co-ordination in certain policy areas. It appears, however, that Governor Leigh-Pemberton is thinking of non-binding co-ordination.

With view to the forthcoming meeting - given Governor Hoffmeyer's great interest in the matter - you might wish to mention briefly at the beginning of the meeting that so far only three Committee members have filled out Governor Hoffmeyer's questionnaire. As soon as a greater number of Committee members have replied, the Rapporteurs will summarise the information that can be derived from the answers and submit a brief note to all Committee members.

# COPY

Copenhagen, 11 November 1988

Dear Colleague,

On October 26 I sent President Delors a letter attached to which was a table to be considered at our November meeting. A copy of the letter and the table was forwarded to the members of the Committee.

Unfortunately time did not allow us to have a closer look at the questionnaire. However, in light of the issues raised at our discussions, inter alia the possibilities for ex ante co-ordination and the scope for enhancing the collaborative framework in some way or the other, I think the table could convey relevant information on the various steps to monetary union.

Hence I suggest that the table distributed at our November meeting be filled in and returned to the two Rapporteurs with a view to be considered in connection with the Committee's further deliberations.

For your convenience I enclose two copies of the table, one of which I have filled in for Denmark.

I am sending a similar letter to our colleagues on the Committee. A copy has also been sent to President Delors and the two Rapporteurs.

Yours sincerely,



Enclosures

Major instruments and policy measures to be applied in connection with the gradual realisation of the Economic and Monetary Union

Instrument/policy measure	Who makes the decision? <sup>1</sup>	Can under present provisions policies decisions be: *)			Can the decision-making power be transferred to Community bodies without changes in national legislation?
		communicated prior to implementation?	taken after consultation?	taken after co-ordination?	
<u>Monetary policy</u>					
- Change in central bank interest rates	CB	YES	YES	YES	NO
- Credit policy	CB+GOV	YES	YES	YES	NO
- Reserve requirements	CB+GOV	YES	YES	YES	NO
- Open market operations	CB	YES	YES	YES	NO
- Financing of government deficits	GOV (CB)	YES	YES	YES	NO
- Government debt management	GOV (CB)	YES	YES	YES	NO
<u>Exchange rate policy</u>					
- Change in central rates	GOV (CB)	} as a member of EMS these are common decisions			NO
- Change in intervention margins	GOV (CB)				NO
- Change in intervention credit mechanisms	CB (GOV)				NO
- Intervention policy	CB	YES	YES	YES	NO
- Management of official reserves	CB	YES	YES	YES	NO
<u>Fiscal policy</u>					
- Direct taxes	P	2)	YES	NO	NO
- Taxation of interest and capital income	P	2)	YES	NO	NO
- Indirect taxes	P	2)	YES	NO	NO
- Budget balance targets	GOV	2)	YES	?	NO
<u>Other policy instruments and measures (specify)</u>					
- Incomes Policy	GOV, P	2)	YES	NO	NO
-					
-					

<sup>1</sup> Please specify: Governor, Central Bank Board, Minister, Cabinet, Parliament.  
CB
GOV
P

2) Government proposals can be notified when tabled.

\*) In agreement with the Secretariat the following information should be added: Communication, consultation and coordination is assumed to take place between EC-partners in a forum, where full confidentiality is assured.

**Major instruments and policy measures to be applied in connection with the gradual realisation of the Economic and Monetary Union**

Instrument/policy measure	Who makes the decision? <sup>1</sup>	Can under present provisions policies decisions be: *)			Can the decision-making power be transferred to Community bodies without changes in national legislation?
		communicated prior to implementation?	taken after consultation?	taken after co-ordination?	
<u>Monetary policy</u> - Change in central bank interest rates - Credit policy - Reserve requirements - Open market operations - Financing of government deficits - Government debt management <u>Exchange rate policy</u> - Change in central rates - Change in intervention margins - Change in intervention credit mechanisms - Intervention policy - Management of official reserves <u>Fiscal policy</u> - Direct taxes - Taxation of interest and capital income - Indirect taxes - Budget balance targets <u>Other policy instruments and measures (specify)</u> - - :					

<sup>1</sup> Please specify: Governor, Central Bank Board, Minister, Cabinet, Parliament.

\*) In agreement with the Secretariat the following information should be added: Communication, consultation and coordination is assumed to take place between EC-partners in a forum, where full confidentiality is assured.

Major instruments and policy measures to be applied in connection with the gradual realization of the Economic and Monetary Union

Instrument/policy measure	Who makes the decision? <sup>1</sup>	Can under present provisions policies decisions be: *)			Can the decision-making power be transferred to Community bodies without changes in national legislation?
		communicated prior to implementation?	taken after consultation?	taken after co-ordination?	
<b>Monetary policy</b>					
- Change in central bank interest rates	CB (G) <sup>2</sup>	YES	YES	YES	NO <sup>8</sup>
- Credit policy	CB + Gov <sup>3</sup>	YES	YES	YES	NO <sup>8</sup>
- Reserve requirements	CB + Gov	YES	YES	YES	NO <sup>8</sup>
- Open market operations	CB + Gov	YES	YES	YES	NO <sup>8</sup>
- Financing of government deficits	Gov (P) + CB	YES	YES	YES	NO <sup>8</sup>
- Government debt management	Gov + CB	YES	YES	YES	NO <sup>8</sup>
<b>Exchange rate policy</b>					
- Change in central rates	Gov <sup>4</sup>	as a member of EMS these are common decisions			NO
- Change in intervention margins	Gov <sup>4</sup>				NO
- Change in intervention credit mechanisms	CB				YES <sup>9</sup>
- Intervention policy	CB	YES	YES	YES	YES <sup>9</sup>
- Management of official reserves	CB	YES	YES	YES	YES <sup>9</sup>
<b>Fiscal policy</b>					
- Direct taxes	P	YES <sup>5</sup>	YES	NO <sup>6</sup>	NO <sup>8</sup>
- Taxation of interest and capital income	P	YES <sup>5</sup>	YES	NO <sup>6</sup>	NO <sup>8</sup>
- Indirect taxes	P	YES <sup>5</sup>	YES	NO <sup>6</sup>	NO <sup>8</sup>
- Budget balance targets	Gov	YES <sup>5</sup>	YES	YES <sup>7</sup>	NO <sup>8</sup>
<b>Other policy instruments and measures (specify)</b>					
- Incomes Policy	Gov (P) + social partners	YES	YES	NO <sup>6</sup>	NO <sup>8</sup>

<sup>1</sup> Please specify: Governor, Central Bank Board, Minister, Cabinet, Parliament,  
CB Gov P

\*) In agreement with the Secretariat the following information should be added: Communication, consultation and coordination is assumed to take place between EC-partners in a forum, where full confidentiality is assured.

NOTES

- 2) The government can veto any of the central bank's decisions related to monetary and exchange rate policies.
- 3) Credit ceilings.
- 4) The Central Bank has an advisory capacity
- 5) Government proposals
- 6) In the absence of binding Community legislation.
- 7) Cf. art. 3. decision of Council. Feb. 18.1974 (cf. appendix).
- 8) Except for Community regulation if the Treaty allows.
- 9) For political reasons, the consent of the Government would be needed.

DÉCISION DU CONSEIL (1)

du 18 février 1974

relative à la réalisation d'un degré élevé de convergence des politiques économiques des États membres de la Communauté économique européenne

(74/120/CEE)

LE CONSEIL DES COMMUNAUTÉS EUROPÉENNES,

vu le traité instituant la Communauté économique européenne, et notamment ses articles 103 et 145,

vu la proposition de la Commission,

vu l'avis de l'Assemblée,

vu l'avis du Comité économique et social,

considérant que la réalisation progressive de l'union économique et monétaire suppose, comme condition indispensable, que la convergence des politiques économiques des États membres soit, dès à présent, établie et maintenue à un degré élevé;

considérant que, pour y parvenir, un renforcement et une amélioration notables des procédures de coordination actuellement pratiquées s'imposent; que plus spécialement un mécanisme de consultation permanente doit être mis en place, tant dans le domaine de la politique économique générale que dans celui des politiques qui relèvent de la responsabilité des banques centrales en matière monétaire;

considérant que ce mécanisme de consultation permanente doit s'appuyer sur un support d'orientations de politique économique définies au niveau communautaire; que de telles orientations ne peuvent être limitées à la seule politique à suivre à court terme, mais doivent concerner également la politique à moyen terme; que, en effet, on ne saurait mener convenablement une action conjoncturelle intégrant les processus d'évolution de neuf économies nationales si elle n'est pas guidée par et vers des objectifs communs établis sur une période plus longue; que dès lors la fixation d'orientations à moyen terme est un instrument indispensable pour une politique cohérente de conjoncture et partant une mesure appropriée à une telle politique;

considérant que la surveillance de la mise en œuvre et des effets des politiques économiques nationales est nécessaire au maintien de la cohérence entre elles, afin que toute déviation par rapport aux orientations arrêtées au niveau de la Communauté puisse être corrigée rapidement;

considérant que la convergence renforcée des politiques économiques doit s'accompagner, sur le plan des relations de change à l'intérieur de la Communauté, d'un mécanisme précis et efficace de consultation préalable à toute décision d'un État membre relative aux conditions dans lesquelles sa monnaie s'échange contre les monnaies des autres États membres et des pays tiers,

(1) Texte tenant compte des modifications apportées par la décision du Conseil du 18 décembre 1975 (75/787/CEE) et par la décision du Conseil du 6 février 1979 (79/136/CEE).

## A ARRÊTÉ LA PRÉSENTE DÉCISION:

### *Article premier*

Le Conseil réserve chaque mois un jour fixe, choisi au préalable, à des réunions consacrées aux problèmes économiques et monétaires. Dans ce cadre, le Conseil tient chaque année trois sessions consacrées à l'examen de la situation économique dans la Communauté. Sur la base d'une communication de la Commission, assortie, le cas échéant, de propositions de décisions, directives ou recommandations, le Conseil arrête les orientations de la politique économique à suivre par la Communauté et dans chaque État membre afin de parvenir à une évolution économique harmonieuse.

### *Article 2*

Le premier examen a lieu aussitôt que possible au cours du premier trimestre.

A cette occasion, sur proposition de la Commission, le Conseil adapte les orientations de politique économique relatives à l'année en cours aux nécessités nouvelles de l'évolution économique.

Les propositions de la Commission sont accompagnées d'un bilan de la politique économique suivie dans l'année écoulée et de projections à cinq ans portant sur les principales grandeurs macro-économiques.

### *Article 3*

Un deuxième examen a lieu au cours du deuxième trimestre. A cette occasion, le Conseil définit les orientations compatibles avec les éléments essentiels des budgets économiques préliminaires. Dans ce cadre, les orientations quantitatives pour les projets de budgets publics de l'année suivante seront fixées avant que ceux-ci ne soient définitivement arrêtés et porteront sur l'évolution des masses budgétaires, sur le sens et l'ampleur des soldes ainsi que sur les modes de financement ou d'utilisation de ces derniers. A cette occasion, les orientations chiffrées relatives aux projets de budgets publics ne font pas l'objet de publication.

### *Article 4*

Un troisième examen a lieu au cours du quatrième trimestre. A cette occasion, le Conseil, sur proposition de la Commission et après consultation de l'Assemblée et du Comité économique et social, arrête un rapport annuel sur la situation économique de la Communauté et fixe les orientations à suivre par chaque État membre dans sa politique économique pour l'année suivante.

### *Article 4 bis*

A des intervalles réguliers de deux ans et demi correspondant une fois sur deux à l'examen des programmes de politique économique à moyen terme et la première fois en 1980 à l'occasion du troisième examen annuel visé à l'article 4, le Conseil, après consultation de l'Assemblée et du Comité économique et social, examine un rapport périodique sur la situation et l'évolution socio-économique des régions de la Communauté, établi par la Commission en étroite collaboration avec le comité de politique régionale.

Sur la base de ce rapport, le Conseil procède à un débat sur les priorités et les orientations proposées par la Commission.



*Banque de France*  
*Le Gouverneur*

Paris,  
Le 5 décembre 1988

Monsieur le Directeur Général,

Conformément à la suggestion du Gouverneur HOFFMEYER, je vous prie de trouver ci-joint le tableau, pour la France, des "principaux instruments et mesures de politique économique susceptibles d'être mis en oeuvre en relation avec la réalisation progressive de l'Union Economique et Monétaire".

Veillez agréer, Monsieur le Directeur Général, l'expression de ma considération distinguée.

*L. A. S. C. E.*

Monsieur PADOA-SCHIOPPA

Directeur Général-Adjoint de la Banque d'Italie,

Rapporteur

du Comité pour l'Etude de l'Union Economique et Monétaire

Banque des Règlements Internationaux

Bâle

Major instruments and policy measures to be applied in connection with the gradual realisation of the Economic and Monetary Union

Instrument/policy measure	Who makes the decision? (1)	Can under present provisions policies decisions be: (2)			Can the decision-making power be transferred to Community bodies without changes in national legislation?	
		communicated prior to implementation?	taken after consultation?	taken after co-ordination?		
<b>Monetary policy</b>						
- Change in central bank interest rates	CB + GOV	YES	YES	YES	NO	
- Credit policy	CB + GOV	YES	YES	YES	NO	
- Reserve requirements	CB + GOV	YES	YES	YES	NO	
- Open market operations	CB	YES	YES	YES	NO	
- Financing of government deficits	CB	-	-	-	NO	
- Government debt management	GOV	-	-	-	NO	
<b>Exchange rate policy</b>						
- Change in central rates	GOV (CB)	} as a member of EMS these are common decisions			NO	
- Change in intervention margins	GOV (CB)				NO	
- Change in intervention credit mechanisms	CB (GOV)				NO	
- Intervention policy	CB (GOV)		YES	YES	YES	NO
- Management of official reserves	CB		YES	YES	YES	NO
<b>Fiscal policy</b>						
- Direct taxes	P	(3)	YES	NO	NO	
- Taxation of interest and capital income	P	(3)	YES	NO	NO	
- Indirect taxes	P	(3)	YES	NO	NO	
- Budget balance targets	GOV + P	(3)	YES	NO	NO	
<b>Other policy instruments and measures (specify)</b>						
- Incomes Policy	GOV	(3)	YES	YES	NO	
-						
-						

(1) Please specify: Governor, Central Bank Board, Minister, Cabinet, Parliament,  
CB
GOV
P

(2) Communication, consultation and coordination are assumed to take place between EC-partners in a forum, where full confidentiality is assured.

(3) Government proposals can be notified when tabled.

KARL OTTO PÖHL

November 22, 1988

Secretariat of the  
Delors Committee  
attn. Mr Baer  
Bank for International  
Settlements  
Centralbahnplatz

CH-4002 Basel

Dear Mr. Baer,

attached please find the tableau which was distributed in  
our November meeting. I have filled it in for Germany.

Best regards

*KO*  
Karl Otto Pöhl

Encl.

## Major instruments and policy measures to be applied in connection with the gradual realisation of the Economic and Monetary Union

Instrument/policy measure	Who makes the decision? <sup>1)</sup>	Can under present provisions policies decisions be:			Can the decision-making power be transferred to Community bodies without changes in national legislation?
		communicated prior to implementation?	taken after consultation? <sup>4)</sup>	taken after co-ordination?	
<b>Monetary policy</b>					
- Change in central bank interest rates	CB	YES	YES	NO	NO
- Credit policy	CB	YES	YES	NO	NO
- Reserve requirements	CB	YES	YES	NO	NO
- Open market operations	CB	YES	YES	NO	NO
- Financing of government deficits	2)	YES	YES	NO	NO
- Government debt management	GOV	YES	YES	NO	NO
<b>Exchange rate policy</b>					
- Change in central rates	GOV (CB)				NO
- Change in intervention margins	GOV (CB)	as forming part of the EMS these are common decisions			NO
- Change in intervention credit mechanisms	CB				NO
- Intervention policy	CB	YES	YES	NO	NO
- Management of official reserves	CB	YES	YES	NO	NO
<b>Fiscal policy</b>					
- Direct taxes	P	YES	YES	NO	NO
- Taxation of interest and capital income	P	YES	YES	NO	NO
- Indirect taxes	P	YES	YES	NO	NO
- Budget balance targets	GOV (P)	YES	YES	NO	NO
<b>Other policy instruments and measures (specify)</b>					
- Incomes Policy <sup>3)</sup>	-	-	-	-	-

- 1) Please specify: CB (Governor, Central Bank Board); GOV (Minister, Cabinet); P (Parliament)  
 2) Only limited cash advances at CB discretion.  
 3) Matter for management and labour.  
 4) Consultation not binding decision-making bodies.

Roma 9.12.88

La tavola è stata riempita con l'aiuto del Servizio Rapporti con l'estero e della Consulenza Legale (Avv. De Vecchis). Questi fa tuttavia notare che la formulazione poco specifica delle dizioni, sia nelle colonne sia nelle righe, impedisce una identificazione precisa delle fattispecie e quindi delle risposte.

**Major instruments and policy measures to be applied in connection with the gradual realisation  
of the Economic and Monetary Union**

Instrument/policy measure	Who makes the decision? <sup>1</sup>	Can under present provisions policies decisions be: (6)			Can the decision-making power be transferred to Community bodies without changes in national legislation?
		communicated prior to implementation?	taken after consultation?	taken after co-ordination?	
<u>Monetary policy</u>					
- Change in central bank interest rates	CB - GOVT	YES	YES	YES	NO
- Credit policy	CB - GOVT	YES	YES	YES	IT DEPENDS
- Reserve requirements	CB - GOVT	YES	YES	YES	NO
- Open market operations	CB	YES	YES	YES	NO
- Financing of government deficits(1)	CB - GOVT	YES	YES	YES	NO } (7)
- Government debt management (2)	CB - GOVT	YES	YES	YES	NO
<u>Exchange rate policy</u>					
- Change in central rates	GOVT, CB	YES	YES	YES	NO
- Change in intervention margins	GOVT, CB	YES	YES	YES	NO
- Change in intervention credit mechanisms	GOVT, CB	YES	YES	YES	NO
- Intervention policy	CB	YES	YES	YES	NO (7)
- Management of official reserves	CB (3)	YES	YES	YES	NO
<u>Fiscal policy</u>					
- Direct taxes	GOVT, P	YES (4)	YES (5)	YES (5)	NO
- Taxation of interest and capital income	GOVT, P	YES	YES	YES	NO
- Indirect taxes	GOVT, P	YES	YES	YES	NO
- Budget balance targets	GOVT, P	YES	YES	YES	NO
<u>Other policy instruments and measures (specify)</u>					
- Incomes policy	GOVT, P	YES	YES	YES	NO
-					
-					

<sup>1</sup> Please specify: Governor, Central Bank Board, Minister, Cabinet, Parliament.

CB

GOVT

P

(1) Monetary financing of deficits is decided by CB, exception made for credit that must be granted by CB to Govt through the current account, up to a maximum amount fixed by law; such an amount can only be increased by P.

(2) CB acts as a technical consultant to GOVT.

(3) UIC (representatives of Treasury, Ministry of Foreign Trade; Chairman is the CB Governor).

(4) At the moment in which GOVT proposals are presented to P.

(5) Consultation and/or coordination have to take place at GOVT level; P may still modify GOVT proposals.

(6) Can not subordinate the effectiveness of the intervention to prior communication, consultation or coordination.

(7) There can not be transfer of responsibilities, but the Community body could add its action to that taken by the national bodies.

INSTITUT MONETAIRE LUXEMBOURGEOIS

LE DIRECTEUR GENERAL

Luxembourg, le 22 novembre 1988

Réf.: I. 25/88 - PJ/MJP

Mr. G. Baer  
Bank for International Settlements  
CH - 4002 BASLE

Sir,

Please find enclosed the questionnaire  
by Mr. Hoffmeyer as filled in for Luxembourg.

Sincerely,



Pierre Jaans

## Major instruments and policy measures to be applied in connection with the gradual realisation of the Economic and Monetary Union

Instrument/policy measure	Who makes the decision? <sup>1</sup>	Can under present provisions policies decisions be: *)			Can the decision-making power be transferred to Community bodies without changes in national legislation?
		communicated prior to implementation?	taken after consultation?	taken after co-ordination?	
<b>Monetary policy</b>					
- Change in central bank interest rates <sup>2</sup>	CB	yes	yes	no <sup>6</sup>	no
- Credit policy	CB + GOV	yes	yes	no	no
- Reserve requirements <sup>2</sup>	CB	yes	yes	no	no
- Open market operations <sup>2</sup>	CB	yes	yes	no	no
- Financing of government deficits <sup>3</sup>	CB	yes	yes	no	no
- Government debt management <sup>3</sup>	CB	yes	yes	no	no
<b>Exchange rate policy</b>					
- Change in central rates	GOV	Luxembourg being a member of the EMS, these are common decisions			no
- Change in intervention margins	GOV				no
- Change in intervention credit mechanisms	GOV				no
- Intervention policy <sup>2</sup>	CB	yes	yes	no	no
- Management of official reserves <sup>4</sup>	CB	yes	yes	no	no
<b>Fiscal policy</b>					
- Direct taxes	P	yes <sup>5</sup>	yes	no	no
- Taxation of interest and capital income	P	yes <sup>5</sup>	yes	no	no
- Indirect taxes	P	yes <sup>5</sup>	yes	no	no
- Budget balance targets	GOV,P	yes <sup>5</sup>	yes	no	no
<b>Other policy instruments and measures (SOECIV)</b>					
- Incomes policy	GOV,P	yes <sup>5</sup>	yes	no	no
-					
-					

<sup>1</sup> Please specify: Governor, Central Bank Board, Minister, Cabinet, Parliament.

<sup>2,3,4,5,6</sup> See reverse.

\*) In agreement with the Secretariat the following information should be added: Communication, consultation and coordination is assumed to take place between EC-partners in a forum, where full confidentiality is assured.



- 2 These instruments are available in national legislation relative to the Luxembourg Monetary Institute. However, due to the monetary association with Belgium they need not be put into operation.
- 3 The decision to accept involvement in government deficit financing and government debt management is an autonomous decision of the Luxembourg Monetary Institute.
- 4 Luxembourg has only IMF-reserves and gold as official reserves; it does not have foreign exchange reserves other than BF.
- 5 Legislative proposals can be notified only when tabled.
- 6 The answer is no if coordination implies mandatory consideration of others' concerns. The answer could be yes if coordination did not imply mandatory consideration of others' concerns.

Note : Questions with respect to the answers provided may be addressed to Mr. Serge KOLB, conseiller, at the Luxembourg Monetary Institute; tel. 478893, fax. 492180.

President

1988 XII 30 14:35

- Bank for International Settlements  
For the attention of dr G. Baer  
Centralbahnplatz 2  
CH-4002 BASLE  
Zwitserland

Datum

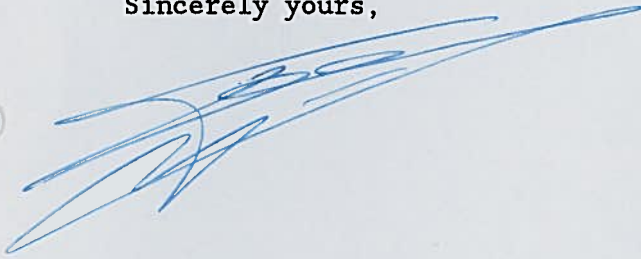
- 23 December 1988

- re: Questionnaire for the Committee for the Study of EMU

Dear Mr. Baer,

Please find enclosed the reply for the Netherlands to the questionnaire proposed by Governor Hoffmeyer. I am also sending a copy to Mr. Padoa-Schioppa.

Sincerely yours,





Explanatory note

BT049p

According to the Dutch Central Bank law the Nederlandsche Bank can be subjected to an instruction by the minister of Finance. At the same time, the law lays down elaborate procedural safeguards embodying checks and balances, which in practice induce Minister and Bank to consult frequently, in order to arrive at a consensus on the general stance of monetary policy. The implementation of the concrete measures is decided upon by the Bank and the Minister is informed beforehand, e.g. in case of a change in the discount rate. Measures of credit policy, such as ceilings or cash reserve requirements, require agreement with commercial banks; if such agreement cannot be reached the Bank may impose the measure on the banks if the minister of Finance agrees, pending ultimate approval by Parliament. The power of the minister to issue, within procedural safeguards, an instruction prohibits the transfer to the Committee of Governors of decision-making power on Central Banking matters within the present institutional context. The position of the Executive Board as the governing body of the Bank also forms an obstacle to the transfer of authority.

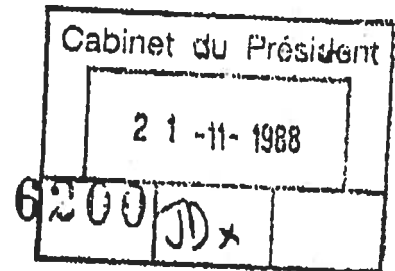
The financing of government deficits and government debt management are in the Netherlands within the competence of the minister of Finance. However, the Central Bank cannot be obliged to finance the government. Furthermore, there is an understanding with the Bank that the Treasury will refrain from monetary financing by other means. Fiscal policy measures require approval by Dutch parliament.

In completing the questionnaire, it has been assumed that in the stage 'decisions taken after coordination' recommendations can be made at the European level and that recommendations within the Central Bank's competence are made in the Committee of Governors, an EC-body that is not subject to directives of the Council of Ministers. It should be added that progress in monetary policy coordination requires that all Governors participate in the coordination process on more or less the same footing, i.e. equally independent from instructions of national ministers.

Transfer of decision-making power constitutes a transfer of sovereignty that will necessitate parliamentary approval of the Treaty in which this is stipulated and probably corresponding changes in national legislation.

*Banco de Portugal*  
*Governador*

Mr. Jacques Delors  
Chairman  
Committee for the Study  
of the Economic and Monetary Union



November, 15th 1988

Dear Mr. Chairman,

As agreed in our last meeting, I am pleased to send you herewith our answers to the questionnaire proposed by Governor Hoffmeyer.

Should you find it necessary we will be happy to provide any clarifications on the matters covered by the questions.

Yours sincerely,

José Alberto Tavares Moreira

Major Instruments and policy measures to be applied in connection with the gradual realisation of the Economic and Monetary Union

Instrument/policy measure	Who makes the decision?1	Can under present provisions policies decisions be: *)			Can the decision-making power be transferred to Community bodies without changes in national legislation?
		communicated prior to implementation?	taken after consultation?	taken after co-ordination?	
<u>Monetary policy</u>					
- Change in central bank interest rates	CB(GOV) 2)	YES	YES	YES	NO
- Credit policy	CB(GOV) 2)	YES	YES	YES	NO
- Reserve requirements	CB(GOV) 2)	YES	YES	YES	NO
- Open market operations	CB	YES	YES	YES	NO
- Financing of government deficits	GOV(CB) 3)	YES	YES	YES	NO
- Government debt management	GOV(CB) 3)	YES	YES	YES	NO
<u>Exchange rate policy</u>					
- Change in central rates	GOV(CB) 3)	4)	4)	4)	NO
- Change in intervention margins	GOV(CB) 3)	4)	4)	4)	NO
- Change in intervention credit mechanisms	GOV(CB) 3)	4)	4)	4)	NO
- Intervention policy	CB	YES	YES	YES	NO
- Management of official reserves	CB(GOV)	YES	YES	YES	NO
<u>Fiscal policy</u>					
- Direct taxes	P	5)	YES	NO	NO
- Taxation of interest and capital income	P	5)	YES	NO	NO
- Indirect taxes	P	5)	YES	NO	NO
- Budget balance targets	GOV	5)	YES	YES	NO
<u>Other policy instruments and measures (specify)</u>					
- Incomes Policy	GOV	5)	YES	?	NO
-					
-					

1) Please specify: CB Governor, GOV Central Bank Board, P Minister, Cabinet, Parliament.

2) Decisions taken by the Banco de Portugal in its quality of monetary authority under the guidelines set by The Finance Minister.

3) Decisions taken by the Government in close agreement with the Central Bank.

4) When Portugal participates in the EMS/ERM, the answer would be YES.

5) Government proposals can be notified when tabled.

\*) Assuming full confidentiality is assured.

**BANCO DE ESPAÑA**  
EL GOBERNADOR

Madrid, December 22, 1988

Dr. Erik Hoffmeyer  
Governor  
Danmarks Nationalbank  
COPENHAGEN

Dear Governor Hoffmeyer,

Please, find attached herewith the table that you have proposed, duly filled with the answers relative to Spain. I am sending a copy of it to other members of the Committee and to the two Rapporteurs.

Naturally, decisions-making is a more complex reality than might be reflected by the formal procedures to which the answers in the table correspond to. You might, therefore, find useful the following brief description of responsibilities in Spain.

Monetary policy

Formally, general monetary objectives, including annual monetary targets, are set by the Government. In practice, however, they are formulated jointly by the Government and the Bank of Spain after extensive discussion and consultation. Thereafter, responsibility for the execution of monetary policy rests with the Bank of Spain.

On the other hand, decisions on government financing and the issuing of government debt rest ultimately with the Government. On that point, it might be recalled that the Government may eventually decide to use the Treasury access to credit from the Bank of Spain to which it is legally entitled. Under present provisions, the resulting Treasury's outstanding borrowing from the Bank at the end of the fiscal year is limited to 12% of the year's total budget outlays.

Exchange policy

The basic medium term orientation and objectives of exchange policy are set jointly by the Government and the Bank of Spain. The Bank is thereafter sole responsible for



2.

the management of exchange policy, including intervention and regulation of foreign exchange markets. The Bank of Spain is equally sole responsible for the management of external reserves.

As you are aware, obligations stemming from the exchange rate mechanism of the EMS do not currently apply to Spain. Such obligations could however be accepted in the future without need of changes in the present Spanish legal setting.

Fiscal policy

All decisions on taxation and on the Public Budget must be enacted by Parliament under the proposal of the Government.

Additional observations

There is a need for further clarification of the meaning of "coordination of policies" since it is unclear whether coordination might or might not involve the transfer of sovereignty to the Community body where policies would be coordinated. I have, therefore, left unanswered column 4 of your table.

Yours Sincerely,

VM  
*Luis Riera*



COUNTRY: SPAIN

Major instruments and policy measures to be applied in connection with the gradual realisation of the Economic and Monetary Union

Instrument/policy measure	Who makes the decision? <sup>1</sup>	Can under present provisions policies decisions be: *)			Can the decision-making power be transferred to Community bodies without changes in national legislation?
		communicated prior to implementation?	taken after consultation?	taken after co-ordination?	
<u>Monetary policy</u>					
- Change in central bank interest rates	CB	YES	YES	-	NO
- Credit policy	-	-	-	-	-
- Reserve requirements	CB	YES	YES	-	NO
- Open market operations	CB	YES	YES	-	NO
- Financing of government deficits	GOV	YES	YES	-	NO
- Government debt management	GOV	YES	YES	-	NO
<u>Exchange rate policy</u>					
- Change in central rates	NA <sup>2</sup>	NA	NA	-	NO
- Change in intervention margins	NA	NA	NA	-	NO
- Change in intervention credit mechanisms	CB	NA	NA	-	NO
- Intervention policy	CB	YES	YES	-	NO
- Management of official reserves	CB	YES	YES	-	NO
<u>Fiscal policy</u>					
- Direct taxes	P + GOV	YES	YES	-	NO
- Taxation of interest and capital income	P + GOV	YES	YES	-	NO
- Indirect taxes	P + GOV	YES	YES	-	NO
- Budget balance targets	P + GOV	YES	YES	-	NO
<u>Other policy instruments and measures (specify)</u>					
-					
-					
-					

<sup>1</sup> Please specify: Governor, Central Bank Board, Minister, Cabinet, Parliament.

\*) In agreement with the Secretariat the following information should be added: Communication, consultation and coordination is assumed to take place between EC-partners in a forum, where full confidentiality is assured.

<sup>2</sup> NA = Non applicable since Spain does not participate in the Exchange Rate Mechanism of the EMS.

*Bank of England*  
*London EC2R 8AH*

*The Governor*

8 December 1988

Dr Erik Hoffmeyer  
Governor  
Danmarks Nationalbank  
DK-1093 Copenhagen K  
Havnegade 5  
Denmark

*Dear Erik,*

I was very interested to see the pro forma on economic policy measures and instruments which you enclosed with your letter of 11 November. I had seen the table, together with a copy of your letter of 26 October to President Delors, before our November meeting and I had hoped that we might have been able to discuss it then. The completed example you have given does appear to provide a clear picture of what degree of consultation or co-ordination is already possible in the case of Denmark and what would require more difficult political steps. Unfortunately it is very difficult for the situation in the United Kingdom to be adequately reflected in a tabular presentation which focuses on formal procedures or statute since these play little part in our system. Nevertheless, I think what you are hoping to demonstrate in this way is very important to our Committee's work. I have therefore attempted to complete the table as far as possible, but you may find it helpful also to have the following description of where decision-making responsibilities lie in the UK.

Monetary Policy

Monetary policy is formulated jointly by the Government and the Bank of England, and executed by the Bank of England. Thus the detailed decisions on market operations, including at times those involving the rates at which the central bank deals, rest with the

Bank of England. Any decisions involving the creation of new issues of Government debt rest ultimately with the Government. All of these decisions could in principle involve prior communication, consultation or co-ordination with EC partners; only the creation of new Government debt is a matter directly governed by national legislation, which gives very wide scope for discretionary decisions by the Government.

#### Exchange Rate Policy

Those questions relating to the exchange rate mechanism of the EMS are not currently applicable to the UK. As with monetary policy, exchange rate policy is formulated jointly by the Government and the Bank of England and executed by the Bank. It nevertheless has to conform with the statute governing the operations of the Exchange Equalisation Account so that, whereas prior communication, consultation or co-ordination of operations with EC partners could take place, decision-making power could not be transferred without a change in legislation.

#### Fiscal Policy

All decisions on taxation must be enacted by Parliament, which also has to approve the supply of money to finance most items of public expenditure. In both cases, the proposals are made by the Government, which will guide them by the formulation of a fiscal strategy - as currently, in the MTFs. The strategy to be followed by Government could, without change to national legislation, be a subject for consultation or co-ordination with EC partners. Individual tax proposals could not be the subject of prior open discussion, because of the risk of forestalling.

I am sending copies of this note to other members of the Committee.

Yours sincerely,  
Robin

COUNTRY: UNITED KINGDOM

Major instruments and policy measures to be applied in connection with the gradual realisation of the Economic and Monetary Union

Instrument/policy measure	Who makes the decision?	Can under present provisions policies decisions be: *)			Can the decision-making power be transferred to Community bodies without changes in national legislation?
		communicated prior to implementation?	taken after consultation?	taken after co-ordination?	
<u>Monetary policy</u>					
- Change in central bank interest rates	CB (GOV)	YES	YES	YES	NO
- Credit policy	N/A	-	-	-	NO
- Reserve requirements	N/A	-	-	-	NO
- Open market operations	CB (GOV)	YES	YES	YES	NO
- Financing of government deficits	GOV+CB	YES	YES	YES	NO
- Government debt management	CB+GOV	YES	YES	YES	NO
<u>Exchange rate policy</u>					
- Change in central rates	-	UK DOES NOT PARTICIPATE DIRECTLY IN THE DECISIONS			NO
- Change in intervention margins	-	COMMON DECISIONS			NO
- Change in intervention credit mechanisms	GOV+CB				NO
- Intervention policy	GOV+CB	YES	YES	YES	NO
- Management of official reserves	CB (GOV)	YES	YES	YES	NO
<u>Fiscal policy</u>					
- Direct taxes	P	ONLY AFTER PUBLICATION			NO
- Taxation of interest and capital income	P				NO
- Indirect taxes	P				NO
- Budget balance targets	GOV	YES	YES		NO
<u>Other policy instruments and measures (specify)</u>					

Please specify: Governor, Central Bank Board, Minister, Cabinet, Parliament,  
 CB GOV P

\*) In agreement with the Secretariat the following information should be added: Communication, consultation and coordination is assumed to take place between EC-partners in a forum, where full confidentiality is assured.