

PART TWO

Monetary Co-operation within the European Economic Community

'Tu causes, tu causes et c'est tout ce que tu sais faire.'

(Lavandrou, in Quéneau, *Zazie dans le métro*)

INTRODUCTION

Despite the removal of internal industrial tariffs within the Common Market, the creation of a common external tariff against third parties, and many other achievements, the E.E.C. had, until January 1970, been noted for its conspicuous lack of progress in the monetary field. Granted it had adopted a common front, to everyone's surprise, against the Anglo-Saxons during the negotiations for the creation of the Special Drawing Rights (S.D.R.s) and the reform of the I.M.F. statutes – thus obtaining for itself a much coveted right of veto in this organisation – but there were until 1970 no signs of the creation of:

- (1) a European unit of currency;
- (2) a European capital market;
- (3) a European Reserve Fund; or
- (4) a common monetary policy for the E.E.C.

If a European currency does at all exist, then it is the Euro-dollar; and if a European capital market exists, then it is the Euro-dollar market¹ – heavily centred on Zürich and London, i.e. EFTA financial centres.

¹ Here we of course refer to a 'homogeneous' short-term market. The evolving Euro-bond market, denominated mainly in E.E.C. currencies, is explained in Part Four below, which is devoted to the European capital market.

The French in 1968, like the Italians in 1963-4, had followed a classical course in their attempts to save the franc.¹ But this recourse to the Anglo-Saxons, plus the subsequent devaluation of the franc and the unacceptable degree of speculation preceding the revaluation of the Deutsche Mark,² necessitated a drastic change of attitude. Without such a change, the dollar would have ceased to be the *de facto* European currency and would in future be the sole currency of reference in the Community.

¹ I.e. recourse to the I.M.F. and to aid from Central Banks.

² In an economic union like the E.E.C., the authors consider all forms of monetary speculation to be harmful and therefore inexcusable.