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31 October 1988

The Governor

M. Jacques Delors
President of the Commission of
the European Communities
200 Rue de la Loi
1049 Brussels

Dear President,

I was grateful for your very interesting working paper circulated ahead of our next meeting, and it provides an appropriate starting point for discussion. However I would not want to be taken as entirely accepting it as "reflecting the outcome" of our meeting in Luxembourg on 10 October. In certain respects your paper goes rather further than that, and seems to me to present our discussions in a more definite and prescriptive form than my recollection, at least, would support.

In Luxembourg we discussed the nature of the economic, and by extension political, union that would be a condition of a hypothetical monetary union. But I am not sure how far members of the Committee went in regarding any of those hypothetical conditions as in themselves desirable; certainly I myself regarded such conclusions as we were able to reach as illustrative rather than prescriptive.

I make these general comments because I wish to refer to one or two points at which I feel your paper is more specific than were the general views expressed in the Committee. At the top of page 2 you say "there was a general view that the process of realising economic and monetary union would require from the outset the

drafting of a new treaty". I am not sure what is implied by the words "from the outset"; I would interpret our discussion as having concluded that a new treaty would be needed as part of the process of realising economic and monetary union. I am not sure either whether we all saw the series of stages in the move forward as requiring the status of treaty agreement.

On page 2 under (a) in the third paragraph, I would again question whether there is broad agreement "that greater co-ordination of monetary policies would be sufficient to create 'a single currency' area through the 'irrevocable locking of parities'". Governor Hoffmeyer's comments emphasised the vulnerability of a "fixed parity area" to market and political indiscipline.

Finally, in your interesting suggestion for "the first step" on page 4 of your paper, you attribute to the October meeting a suggestion that "one first step on the way to monetary union should be based on a new treaty and that stage one should be an 'embryo' of the final situation" ... and that "the centre should from the start be given 'something to manage', ie a policy responsibility". Again I did not have the impression that the Committee was ready to endorse this as a prescription, and I have to say I have some reservations on this point.

All this may be just a matter of emphasis and language, but as Committee members do not see and agree minutes of their discussion I felt it right to mention at this stage my concern about the inferences that could be drawn from your paper. Nevertheless, please be assured how helpful it is for us to have papers from you such as this in advance of our meetings.

I am sending copies of this letter to our colleagues on the Committee.

Yours sincerely,
Robin Leigh-Pemberton