

- issue of inst. changes, 'step by step' as 'side a track'
 - conclude they should involve inst. changes as well.

Agreement that EMU requires 'single changes' either a new treaty but some argued whether inst. changes should be part of a first step or follow at a later time. Three main views emerged:

- any decision on treaty not earlier than absolutely necessary (LP); rather build on existing arrangements, get used to 1992 environment

- Lay down all requirements defining EMU in a treaty, but this would be equivalent to a decision in principle (lay down all specifics if and when time is ripe; has this follows that first step to be decided in Report should not require any legal change which in turn implies no decision to have first decision-making power to and thus only an upgrade of existing Committee's work based on cooperation and consultation and not binding.

Hoffmeyer
Pohl

to continue (recommendations not made, Pohl, de L., other (then) more cautious)

- formulation of a treaty and, as a first step, draft the legal changes which allow some transfer of decision-making power.

However, total process would be done afterwards.

de L proposal - ^{ambitious} ^{tax. or institutional} part of the agreement.

similar problems → Linn, Pohl

not necessary → Pohl

criticism → Pohl → his ministerial paper

also change in C.O.L. Gov. ^{regional} legal change (Pohl, Tassan) also some political problems, but to be in parallel

but some think that we need to see the full picture of all proposals and not just the one of Pohl. It is not necessary to see the full picture of all proposals and not just the one of Pohl. It is not necessary to see the full picture of all proposals and not just the one of Pohl.

3 papers submitted by Luxembourg members

The observations centered on Godeaux & de Larosière

Godeaux

if ~~prognostic~~ approach it should consist of a ~~single~~ package of measures; alternatively an institutional step

- move from report to ex-ante coordination
- ^{stepwise} ~~immediately~~ monitoring on the basis of both foreign ex. changes and economic analysis.
- identification of ex. measures
- in case of failure on the ECU grounds by 5-10% ex. change flows a warning, i.e. D.L. B3L had to accept the part of ex. measures other Community countries; some part of the Community measures to be held for a longer time.

the next step must be a package of institutional changes in form of a package of measures

Pöhl → macrostate does not cover technical adjustments of EMU, but concrete steps towards it

Delors

must have institutional changes

de Larosière proposal → critical step, (distancing from the exchange rate mechanism effect, cooperation in concrete matters, management of the pool of reserves); must succeed in a first manifestation, limited task, confirmed by EMU countries, minimum impact initially

CP → in favour of Godeaux scheme; leave to point out the progress that could be made without real or treaty changes; first build an EMS/Myb arrangement, get used to changes in 1992 environment, before discussing on treaty changes; treaty not earlier than absolutely necessary

on de Larosière proposal → not absolutely necessary to have a learning process; should not create partition central bank, inst. only when political will, some real functions and when centralized foreign exchange market functions + many market operations has added value while final may reinforce the few operations

of national banks there is a risk to our common balance policies,
creating conflicts

Conclusions → in the first place more from report data to re-arrange
coordination in ex-ante intervention + monetary policy, which
are clearly interconnected;
for this an inst. arrangement needed
↓
which to provide changes, procedures, decision-making

difference between intervention + monetary policy constraints

↓
difficult to
have volume
commitments

↓
difficult to define
procedures for 2-3 months

↓
more difficult

↓
here something is needed,
with inst. weight behind it

↓
del proposal, has
exchange effect
through business process

but practical (technical)
questions.

- pooling against what?
- working of profit + loss
mechanism?

more difficult questions:

- decision-making process + degree of competence of
the fund in intervention?

a) opening markets

b) own responsibility for final outcome

↓
many problems for
national monetary policy

if only small amounts? But what is
the purpose?

Ratio: del column says → political decision on legal framework
which change in coord. procedure
less problems but they have to be resolved
in step-by-step approach

Monetary: external + int. objectives cannot be split;

del → = partial transfer of instruments

→ prefers increasing coordination of decision making on general
monetary policy → ex-ante coordination

against → because of representations on national monetary policy
with consequences for price stability

danger that fund puts too much emphasis on ex-ante and
might divert from the central objective of price stability.

when heading in the same direction it would be more, then consider with
changes if finally requires more changes

serious examination of work of Com. of Gov.

del small adjustment in the context of G-7 studies

bank problem will arise soon anyway

Cremona → emphasize the importance of the bank group; Deussen heavy
+ del, no
conclusion

Boyer → 46 days of del implies that a real start to European central bank

Pohl → a) possible and by Hoffmeyer → 2 models.

c) needs a legal framework → del proposal

→ this cannot be done step-by-step, not change in law every two
years; production difficult

not a little final, but draft changes of European central bank
type, which, when conditions are right, can be
set up

b) without legal changes

→ mechanism falling under the competence of Com. of Gov. as Finance
Minister

→ such mechanism be subject to legal of del.

strengthening existing institutions

Com. of Gov, tasks obtained in 1984 decision

to make recommendations to central
banks to produce something in other
countries with impact to pure stability,
ex. rates, ex. rates, fiscal imbalances

↓
without
problem
is reasonable

→ asked permanent
secretariat

problem with del proposal → only open to ERM countries

Paper on legal aspects of upgrading the Com. of Gov. by
amendment to 1984 decision

del C: proposal part of the whole agreement; but steps to be taken
to be strengthened

supervising Committee of Gov. not meant;

final compatible with present talking but must pave the
way for a change in talks

James → have to say clearly in the report that ERM means the
creation of a common & binding mechanism of decision-making
but would have to be a different one, ^{point of departure → Committee of Gov.} involving local change
time of reaching fixed ex. r can be reached on basis of
existing arrangements; for steps in this process → gradual
transition of funds

in del proposal → only a partial move

thus requires to go through existing central banks, with
common decision-making & gradual narrowing of the Council

Thames → first a pragmatic step; but even supervising Com. of Gov might
have political difficulties

in del 2 groups of countries, parallel program elsewhere, steps should outline
transition steps

Moyle → ECU before then; and that raises immediately the political problem
of having to tell Member States what in parallel has to be done

report must make clear that political
problems cannot be avoided

to point the background
of these papers & discuss
combined in possible steps