BARON ANSIAUX

Le Bois Tranquille

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Reprint from:

Convertibility Multilateralism and Freedom

World Economic Policy in the Seventies

Essays in Honour of
Reinhard Kamitz

Edited by
Wolfgang Schmitz

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Convertibility, Multilateralism and Freedom

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Achievement of Economic and Monetary Union by the Member Countries of the European Economic Community

Baron Ansiaux

Need for Monetary Union

The member countries of the EEC will achieve a real Economic Union only if this is based on a Monetary Union of an irreversible nature. This is necessary both for the harmonious development of the economic union of members of the Community and for the Community's relations with third countries.

In fact, within the Community there can only be true freedom in exchange of goods and services, movements of labour and movements of capital if complete and irreversible convertibility of currencies, the elimination of fluctuation margins for rates of exchange and the irrevocable fixing of parity ratios between the currencies of the member countries of the EEC are achieved. Monetary Union is thus necessary since it alone makes it possible to obtain the guarantees which are indispensable for the proper operation of the economic union.

In relation with the outside world, comprising all the countries which will not be members of the Community, Monetary Union is just as indispensable.

As recent events clearly show, the development of the international monetary system hardly leaves any alternative, since one must resign oneself either to accepting the establishment of the dollar standard or to perpetuating the system of fluctuating exchange rates or, finally, to creating in Europe what one might agree to call with R. A. Mundell an "optimum currency area".

It goes without saying that the "dollar standard" formula is not satisfactory, since it amounts to leaving the conduct of the whole international monetary system exclusively in the hands of the Americans. The experience of recent years clearly shows why this solution should be avoided.

The same applies to the setting up of a permanent system of fluctuating exchange rates which, while it may be theoretically attractive, presents in practice such disadvantages that it is almost unthinkable to imagine that it could ever be built up into a system.

There remains therefore only the solution of creating an "optimum currency area".

This is the idea which dominated the conference at The Hague in December 1969, in the course of which the heads of state or government of the member countries of the EEC decided on the principle of the development of the Community towards the establishment of an Economic and Monetary Union.

This decision is part of the logic of a reasoning which compels one to admit that the nations comprising the EEC have the choice between abandoning their monetary sovereignty for the benefit of the dollar and maintaining their independence by exercising this sovereignty in common.

The Community, strengthened by the admission of Great Britain and the other countries which have applied for membership, represents an economic force sufficient to constitute an "optimum currency area", which will be a second pole of attraction in the international monetary system and of such a nature as not to fight the dollar but to provide a better balance for the forces which make themselves felt on the market and thus to ensure a greater monetary stability in the world.

Therefore the achievement of Monetary Union within the enlarged Community will not only uphold the Community's aspirations but will serve the whole of the Western world by introducing an important element of improvement in the international monetary system.

The events which we are experiencing at the present time provide a particularly acute demonstration of the need to make rapid progress towards Economic and Monetary Union. It must be hoped that the difficulties with which the member countries of the EEC are now confronted will serve as a spur and induce them to accelerate the achievement of this Union since, so long as they are isolated, they will remain weak and, "nolens volens", subject to influences from beyond the Atlantic, not because the United States deliberately misuses its power but because the system is such that it gives the dollar a preponderant rôle which, in this system, will always be decisive.

Conditions of Monetary Union

The Werner Report highlighted very clearly the conditions which need to be fulfilled in order to be able in the final stage to achieve Monetary Union.

It should be recalled that this union presupposes the co-ordination of economic policies – relating both to the present and to the medium-term – budgetary policies and, up to a certain point, fiscal and social policies. It is necessary also to achieve a true capital market which extends to the whole Community.

Finally, community management presupposes that the organizations of the EEC will be adapted in order to be in a position to undertake the responsibilities which will devolve on them and to take the decisions which will be necessary.

Certainly, the enterprise is difficult and bristling with obstacles, but it is not impossible provided that the political will of all the members of the EEC supports it.

This political will can find support in the conviction that in the monetary field, as in the economic field, it is preferable to maintain a sovereignty which is real, although exercised in common, rather than to abdicate sovereignty by allowing large foreign economic powers in effect to impose their own decisions by the simple operation of market mechanisms.

If this conviction could inspire the governments, it would make it possible to eliminate a number of the difficulties which will certainly arise from giving up certain of the powers which states have at present and which they will not readily give up unless they are persuaded that a greater good and, in fact, an increased sovereignty will arise from the giving up of limited and scattered sovereignties, which are powerless to constitute a sufficiently solid defence against the tidal waves which have their origin outside the states comprising the Community.

It is also necessary for these states to have confidence in the executive to which they will have to transfer the exercise of certain of their prerogatives.

It is for the governments to decide on the form which should be given to this executive, to define the manner in which it will be formed and if appropriate replaced, to define its powers and to lay down how it will be obeyed and controlled.

How to Achieve Monetary Union

The achievement of Monetary Union will follow a progressive pattern, which need not necessarily be slow but the progress of which will nevertheless depend on the results achieved in the field of co-ordination of economic policies in the broad sense.

Indeed, no country can envisage pledging the fate of its currency and reserves unless it has an assurance that the manner in which its partners manage their economies does not risk compromising the value of the former or the security of the latter.

This does not mean – at least at the outset – that the economic policies of the member countries must necessarily be identical. On the contrary, circumstances may well arise in which, to be coherent, it would be appropriate for them to be clearly different. One need only consider that the economic situation may be improving in one country while deteriorating in another to convince oneself of the need to apply different policies to them.

However, as the process of integration develops, these divergencies will tend to diminish and to disappear completely when the Union has been achieved, just as is already the case in every unitary state where economic policy and monetary policy are "one" – which, however, does not prevent the selective granting of appropriate regional assistance.

As soon as the Union has become a reality, the states which comprise it will no longer have individualized balances of payments and only the balance of payments of the Union will have any meaning at the international level.

Within the Union any imbalances will be settled by transfers, either in the form of movement of labour, investments, or movements of capital, or even by the co-existence of standards of living at different levels, as has always been the case in countries where the existence of regions less favoured than others can be noted.

It will be for the Community to decide the circumstances, procedure and criteria which will govern the granting of adequate regional assistance designed to diminish the differences in standards of living which are regarded as excessive or socially intolerable.

The result of the balance of payments of the Community will be the reflection of all the activities carried out in each of the regions which comprise it. Only this overall result will count, and the possibility is not ruled out that certain regions may be in surplus whereas others prove to be in deficit. It might even be said that to the extent that it appears desirable to ensure overall equilibrium in the balance of payments, certain regions will record deficits which will diminish the surpluses of other regions.

This presupposes of course that the internal transfer mechanisms within the Community, which have been referred to above, operate with the maximum flexibility desirable.

But this also shows that throughout the process towards the formation of the Union, increasing importance needs to be attached to the concept of the overall balance of payments of the Community, and it must be progressively accepted that the individual balances of each of the member countries which contribute to the formation of the overall balance need not all necessarily be perpetually in surplus.

In this respect special attention needs to be given to the case of countries whose development may, justifiably and in the long-term interest of the Community, require them to be net importers of real resources. This naturally assumes that financing in the appropriate orthodox forms is available within the Community.

This singleness of the overall balance of payments also raises the question whether it is appropriate, at the final stage, to opt for the inauguration of a common currency or for the co-existence of national currencies, inter-convertible at par and linked to each other by fixed parities.

The maintenance of national currencies would have the disadvantage of perpetuating within the Community an appearance of regional balances of payments giving rise to settlements between central banks, whereas the common currency, if it was issued on a community basis and distributed in relation to the needs of the economy as a counterpart to short-term assets, would avoid this disadvantage.

However, the problem of the common currency, which so far has not been thoroughly investigated by the competent authorities of the Community, involves many other aspects which will be examined later.

The Committee of Governors of the Central Banks of the Community, when asked by President Werner about the technical stages needed to attain Monetary Union – on the hypothesis of an accompanying satisfactory co-ordination of economic policies – submitted a study which appears among the appendices to the Werner Report.

Several stages are envisaged, which derive from extreme caution due to the fear that progress in the economic field may be slow, subject to setbacks or incomplete, which would certainly make a more decisive approach in the field of monetary unification dangerous.

In fact, the pessimist may draw an argument from recent developments, particularly the American measures and the introduction of floating exchange rates in several countries of the Community, to justify an attitude of caution.

On the other hand, others may have a more optimistic outlook and regret that greater progress has not been achieved already, which would no doubt have prevented the emergence which has occurred of divergent nationalist attitudes.

Now, assuming the present crisis is settled, the same danger remains and can become a reality at any moment, as long as the progress achieved in the monetary field has not reached such a stage that it has become irreversible and constitutes a solid basis on which the member countries of the EEC can stand firmly, in order to face up to the difficulties originating outside the Community and in order to find in the very existence of the instruments of action with which they will be equipped and in their use an incentive to affirm their solidarity and adopt community solutions.

Thus failing a minimum of progress – at least sufficient to ensure that the Monetary Union has achieved a degree of advancement which makes withdrawal no longer possible – it is to be feared that, weakening under the blows given to it, it will never be accomplished.

So if the political will, affirmed at The Hague in December 1969 and reaffirmed by the decisions of the representatives of the Governments and the Council of Ministers of the Community when they approved the Werner Report, really exists, it should lead to accelerating the process of integration rather than to slowing it down, since it is the only real safeguard against a repetition of events such as have occurred recently.

In this respect, special emphasis should be given to the usefulness of an instrument such as the "European Monetary Co-operation Fund", the creation of which was recommended by the Werner Committee. If this Fund had existed, Germany would not have allowed her currency to float in May 1971, and the Community's reactions to the decisions of President Nixon on August 15 last would have been quite different. Indeed the very existence of the Fund would have compelled member countries to adopt a common attitude, and the reply which they would have given to the American measures would have been characterized by unity and stamped with greater firmness.

It is imperative therefore to work for the creation of this Fund here and now, since it constitutes the corner stone of the whole building, which, for lack of it, runs the risk of never being built. It is the instrument sine qua non of a close co-ordination of monetary and exchange policies which is indispensable to the very survival of the Community, just as much as for its development towards Economic and Monetary Union.

The principles on which the mechanism of the Fund will rest are described in the so-called experts' report appended to the advice given to the Werner Committee by the Committee of Governors.

The institution of the Fund is intended to facilitate progress through the various stages of economic and monetary unification and to ensure the achievement of the conditions which must be fulfilled at the end of this process. From the earliest days of its existence it will be able to play a particularly useful part.

The Werner Report proposes that, in order to obtain the desired narrowing in the margins of fluctuation between community currencies, concerted action on the dollar should be supplemented by interventions in community currencies. The Fund will be able to facilitate these interventions by procuring the currencies necessary for deficit countries and granting to surplus countries the guarantees desirable on the holdings which they temporarily accumulate in community currencies.

The co-ordination of interventions in dollars on the exchange markets, which will in any event be necessary to reduce the margins, would itself be facilitated if the Fund undertook responsibility for these interventions through the central banks. The balances of interventions would be accounted for by each central bank as a movement of its deposits with or commitments to the Fund and no longer as a variation in its own holdings in dollars. The accounts of each country with the Fund would then reflect not only the position in community currencies but also the position in dollars. These twin positions would be equivalent, for each country, to the balance of its balance of payments financed by the variation in official reserves.

In this way the Fund would institute a new procedure for holding reserves, rather than a common holding of reserves. However, it would begin to sketch the outline of a common policy for management of reserves, from two points of view.

From the point of view of the internal relations of the European Economic Community, the operation of the Fund would involve an element of reciprocal credit between member countries, which ought to be at least equivalent to the mechanism already in force of short-term monetary support and to the mechanism of medium-term financial assistance. According to whether the items in the account with the Fund were settled, by the transfer of reserve holdings between member countries, at longer or shorter intervals, the balance of liquid funds available through the Fund would be larger or smaller. This balance could be automatic or result from ad hoc decisions.

From the point of view of relations with the rest of the world, the Fund would contribute to affirming the personality of the Community, since it would take the decisions necessary for the management of the holdings in dollars accumulated as a result of any surpluses of the Community.

The Fund would be informed immediately and at all times of the repercussions on the official reserves of the trend in the balance of payments of each member country and of the Community as a whole. Should external payments reveal a systematic imbalance in a member country, the almost immediate knowledge which the Fund would have of this trend would make it possible to undertake without delay an analysis of the situation of that country and to take the necessary corrective measures as quickly as possible. This is one of the ways in which monetary unification could very effectively enforce economic unification.

If conceived along these general lines, the European Fund for Monetary Co-operation would thus play a particularly useful part from the earliest days of its existence by illustrating at the outset the Community's inclination towards monetary autonomy. It would contribute to strengthening the exchange position of member countries by offsetting the surpluses of some against the deficits of others, by using the Community's currencies more extensively for the settlement of intra-Community balances and by affirming a Community attitude in international monetary negotiations. In addition, it would carry out a permanent action of supervision and unification for the achievement of economic equilibrium within the Community and would enable temporary difficulties to be overcome more easily thanks to the intervention of a credit mechanism adapted to the circumstances.

It has been said that the Fund would present the danger of offering too many possibilities of credit, which could have the consequence that certain countries would become excessive creditors, while others would find in it the means of maintaining a position fundamentally out of balance.

To this one may reply that the Fund will contain only the credits which it is regarded as useful to put in it, that the mechanism of short-term monetary support already provides for this granting of credits, and that these would be much more efficiently used through the Fund than if granted bilaterally.

With regard to the risk of laxity, the Fund, by the constant supervision of the situation of each country, will make possible much quicker and therefore more effective intervention to correct the imbalances which in worsening would risk becoming fundamental.

Finally, with regard to the countries which accumulate reserves and could find themselves as substantial creditors of the Fund, it may simply be noted that this is only a question of choice. Do these countries prefer to grant credit to the United States by accumulating dollars or to the Community by agreeing to be its creditors?

In the concept of a Europe wishing to be unified economically, how can one justify the reluctance to organize matters here and now in such a way as to eliminate as quickly as possible the illogicality of certain countries of the Community accumulating dollars which they do not know what to do with, while other countries are compelled to borrow dollars at certain times and occasionally for large amounts.

As the apparatus necessary at the conclusion of economic and monetary unification will have been set up at an early stage of the process, the experience necessary to its operation can be acquired progressively.

A suitable conclusion on this subject is provided by the following extract from the experts' report quoted above:

"The inauguration of the Fund would set up, in an embryonic form but one capable of development, the instruments and mechanisms necessary for the exercise of the functions which, at a later stage, would develop into an organization of the type of the "Federal Reserve Board", in particular Community management of exchange relations with foreign countries and also of reserves."

The European Currency

As noted in the Werner Report, "a Monetary Union implies internally the complete and irreversible convertibility of currencies, the elimination of fluctuation margins in exchange rates, the irrevocable fixing of parity ratios and the complete freedom of capital movements. It may be accompanied by the maintenance of national monetary tokens or lead to the establishment of a single community currency. From the technical point of view, the choice between these two solutions could appear unimportant, but considerations of a psychological and political nature militate in favour of the adoption of a single currency which would affirm the irreversible nature of the enterprise."

It is a fact that, as long as national currencies continue to exist side by side, the risk will remain that in certain circumstances a government may decide, for reasons which it regards as grave and serious, to modify the parity of its currency or to allow the currency to float, which could compromise the well-being of the Monetary Union.

In this respect it seems far preferable to support the proposal for the issue of a single currency by a community body. Nothing would prevent, as is the case in the United States, each of the central banks of the Community from issuing this currency as soon as an authority of the "Federal Reserve Board" type is able to control it. Another advantage which would be derived from the adoption of a common currency has already been recorded above. However, this formula also has disadvantages. First of all, there are the disadvantages associated with the difficulty of finding for this currency a name which inspires confidence and enlists support.

In this connection Belgium, when it tried in 1926 to introduce the Belga, carried out an experiment which was a complete failure.

Account must also be taken of the habits of the public, which are more strongly rooted than one might think. The example of France in creating the heavy franc, which is moreover easy to calculate since it is necessary only to divide by 100, is there to prove it; at the present time many French people continue to express themselves in old francs.

It is therefore necessary to be very careful before deciding to introduce an Ecu, a Thaler or an Epunit which will have some difficulty in gaining world confidence and will seriously affect the habits of the general public, the more so since the conversion of the national currencies into this new monetary unit would have to operate on the basis of a figure which necessarily includes decimal places.

But in this connection there is another point to be borne in mind. The entry of the United Kingdom into the Community will be accompanied by the addition of the pound sterling to the currencies of the Common Market.

There is no doubt that the pound will derive considerable support from the accession of the United Kingdom, since the whole world will consider that, as from the date of this accession, European solidarity will have the consequence that its convertibility will henceforth be guaranteed – whether one likes it or not, and whether one agrees with it or not – by the whole of the reserves of the Community.

Now the pound sterling is an international currency which is traditionally used for the quotation of numerous products and the payment of a still greater number of transactions. The custom of using it is widespread, extending to the most distant countries that are liable to be discouraged by the use of a new European monetary unit, to the advantage of increased resort to the dollar which has the merit of being well-known.

If one adds to this the existence in London of a financial market which is remarkably well organized and has remained extraordinarily active, one is led to wonder whether, in the course of the process of monetary unification of the member countries of the EEC, the position of the pound sterling will not be strengthened to the point where it will become quite naturally the currency most widely used in the Community for international transactions.

In this respect it should be noted that the countries which are accustomed to hold sterling, and also those and their citizens who used to observe this custom but have fairly recently preferred to place their reserves or liquid funds in other currencies, will no doubt maintain or replace their holdings in pounds sterling as soon as the United Kingdom has become a member of the EEC.

In acting in this way they will indeed benefit from the advantages of holding a currency used in international relations, but one which in addition gives them access at par – once the Monetary Union has been achieved – to all the other currencies of the Common Market.

There does not seem any need to be worried at such a prospect, given that the United Kingdom, as it has already formally declared, will accept the fundamental constraints inherent in its accession, including those which would enable the Community to exercise control over the issue of the pound sterling as it will do over the issue of all the other currencies of its members. The Community could turn to good account, in its own interest, the advantages which would result from the long-established use which has been made of the pound and the confidence which attaches to it, while supervising the community nature of its issue.

The above is a simple suggestion intended to give food for thought to those who will finally have to decide on the solution to be applied to the difficult problem of defining the currency common to all the members of the EEC.

Should the European Currency Be a Reserve Currency?

Another very important question now arises. Should the European currency, whatever it is, be a reserve currency?

In principle, the reply is no, given the liabilities and disadvantages to which reserve currencies are subject. But unfortunately one cannot decide on the fate of one's currency as one would wish. Everything depends on the reactions of the outside world, which may perfectly well decide that it wishes to hold a larger or smaller part of its reserves in European currencies or, as stated above, in pounds sterling, which comes to the same thing.

It is difficult to prevent this from happening, except by rather arbitrary and undesirable processes or other methods such as a prohibitive tax on the income obtained from the amounts placed. These methods of defence can of course be used, but the question is whether it is wise to resort to them.

A first consideration follows from the concern to allow the forces of the market to develop naturally. On this hypothesis, the Community ought naturally to agree that its currency should be held, which presupposes that it has a balance of payments in deficit. This would be the case only to the extent that the exports of official and private capital exceeded the surplus on the balance of current payments.

A second possibility would be for the Community, in order to ensure greater international equilibrium, to show itself prepared to take over from the United States part of its rôle of provider of capital and to alleviate its military burdens in Europe. This of course assumes that the resources applied to these purposes will reduce to the same extent those intended to maintain, through appropriate investments, the regular growth of productivity in the countries of the Community.

Now it seems that this cannot be neglected if Europe wishes eventually to equal its partner beyond the Atlantic in efficiency. The question is therefore complex, and undoubtedly needs to be thoroughly examined; in any event it can only be settled at the political level. Moreover it has an importance which is far from negligible, even at the purely technical level, given the important repercussions which it can have on the conduct of the Community's monetary policy.

Conclusions

It appears that if the Community had accelerated its integration process, much of the damage which is now apparent could have been avoided.

In particular, it is important to provide a rapid solution to the monetary problem since, otherwise, given the fact of the balance of payments deficit of the United States, which is far from being solved, the premium of the European currencies over the dollar can only increase, leading to a reduction in economic activity which could bring the Community one day to a condition close to recession.

This danger has been foreseeable for a long time. One can only regret that some countries of the Community have allowed themselves to be driven to offset the massive entry of foreign capital – due to the fact that the USA are engaged in a policy intended to foster economic activity characterized by low rates of interest and a large expansion of credit – by a substantial revaluation of their currency which may lead to a reduction in their exports which in turn may result in a diminution of economic activity.

This is a sufficient reason to accelerate the process of integration and thus to give the Community a dimension which will enable it to reach the level of an "optimum currency area", from which time it will be able to measure up to its foreign competitors and affirm its own position.

To achieve this it is necessary for an initial integration to be effectively achieved and expressed in concrete facts, including the creation and operation of a European Co-operation Fund which is indispensable for the co-ordination of the actions undertaken in the monetary field and the prevention of future unilateral decisions, which can only harm the progress of the Community towards its objective of Economic and Monetary Union.

It is necessary to retain faith in the work undertaken, which, despite short interruptions, will pursue its course provided that two fundamental conditions are fulfilled.

The first and most important condition is that the political will which was shown at the Conference at The Hague remains active throughout the years to come.

The second condition resides in the fact that the structures of an Economic and Monetary Union could be established without delay, in particular the mechanisms designed to enable economic policies to converge and a common monetary regime to emerge. In this respect, prime importance must be attached to the rapid creation of the European Fund for Monetary Co-operation, since this will be the only practical way of effectively solving the problems of harmonization which arise.

It must be hoped that these conditions will be achieved and that, progressively but quickly, a Europe will be established which is strong and united and capable of taking up great challenges and affirming its solidarity, from which its power will emerge.

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Continued from cover page III

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July 21, 1972

Dear Dr. Schmitz:

It was most kind of you to send me, through Mr. Schneider, an autographed copy of the collection of essays in honour of Professor Kamitz which you edited. It is a most handsome volume and a fitting tribute to Professor Kamitz.

The essays in the book cover a wide range of problems presently facing the international community, and I look forward to reading them. It is clear that the volume will be compulsory reading for everyone concerned with the future of the international monetary system and a prized addition to the collection of many others besides.

May I once more apologize for having had to decline, at a rather late stage, your invitation to contribute a chapter. I am sure you will realize, however, that the circumstances of last year made it impossible for me to do so.

Yours sincerely,

P.-P. Schweitzer

Dr. Wolfgang Schmitz
President
National Bank of Austria
Vienna, Austria

cc: Mr. Schneider

Mr Smith

INTERNATIONAL MONETARY FUND

September 24, 1971

TO : Members of the Speech Committee

FROM: Roger V. Anderson RVA

I attach for the information of those who may not be aware of what has happened, a note from Mr. Humphreys regarding the Kamitz volume.

Attachment

cc: Mr. Høst-Madsen

Office Memorandum

TO : Mr. Anderson

DATE: September 24, 1971

FROM : Norman K. Humphreys

SUBJECT : Managing Director's Contribution to the Volume Honoring Professor Kamitz

This is to confirm that in view of the changed international monetary situation following the U.S. decisions announced on August 15, 1971, the Managing Director decided that it would be inappropriate, indeed impossible, for him to contribute, as had been agreed, a chapter entitled "The International Monetary System in a Changing World" to the book that the National Bank of Austria was planning to publish in honor of Professor Kamitz. The Managing Director wrote to the President of the National Bank informing him of this decision, and conveying his regrets, on August 26, 1971.

August 26, 1971

Dear Dr. Schmitz:

In my letter dated June 11, 1971 I was able to confirm that I would be pleased to contribute a chapter, entitled "The International Monetary System in a Changing World", to the book that is being published by the National Bank in honor of Professor Kamitz. Since writing to you, however, decisions have been taken which completely changed the situation and the outlook for the international monetary system in the immediate and near future is extremely uncertain.

In these circumstances, the timing of the proposed publication, and the inevitably long period necessary for the production of any book make it an extremely difficult task to write such a chapter, and one that would be inappropriate and indeed impossible for me to undertake in the present situation. I very much regret to have to ask you, therefore, to excuse me from contributing to the volume. I should be grateful if you would also convey my extreme regret to Professor Kamitz, explaining the circumstances which prevent me from demonstrating in this particular way the very high esteem in which I hold him.

I should like to take this opportunity of offering you my very best wishes for the successful completion of the proposed volume and to express my regret at any inconvenience that this rather late change in plans may cause you.

Yours sincerely,

P.-P. Schweitzer

Dr. Wolfgang Schmitz
President
National Bank of Austria
Vienna, Austria

Messrs. Whittome
Anderson
Humphries
Schneider

Office Memorandum

TO : Mr. Anderson

DATE: August 12, 1971

FROM : Norman K. Humphreys

SUBJECT : Managing Director's Contribution to the Volume Honoring Professor Kamitz

You have asked me for an outline of the chapter that Mr. Schweitzer is due to contribute to the book, Convertibility, Multilateralism, and Freedom, in honor of Professor Kamitz. The suggested title for the chapter is "The International Monetary System in a Changing World" and in broad terms I see the chapter along the following lines.

1. The setting for the creation of the International Monetary Fund; the experiences of the inter-war years and the devastation caused by World War II.

2. The creation of the IMF and its principal charactieristics; its regulatory, consultative, and operational functions.

3. The evolution of the world economy in terms of the aims of the IMF; orderly exchange markets and devaluations, progress against bilateralism and restrictionism, the attainment of widespread currency convertibility.

4. The emergence of new problems; the change from a dollar shortage to a dollar surplus, the working of the gold exchange standard, concern with the growth and distribution of international liquidity, the integration of financial markets and the growth of capital flows, and strains in the payments system.

5. The birth of the special drawing rights facility; its characteristics, its importance for developed and developing countries alike; the long-term influence on the level of international liquidity, the link.

6. The twin problem of an improvement in the adjustment process; the role of the exchange rate mechanism and the Report of Executive Directors--wider exchange rate margins and temporary fluctuating exchange rates.

7. Reaffirmation of the Bretton Woods system; improvements in the management of national economies, stabilization of prices, and improved accommodation of capital flows.

OESTERREICHISCHE NATIONALBANK
SEKRETARIAT

Vienna, July 20, 1971

Dear Sir:

Enclosed please find a list of those authors who up to now have expressed their readiness to contribute to the book honoring Dr. Kamitz on the occasion of his 65th birthday. From the list you can also see the subjects the authors will write about.

Yours sincerely,

OESTERREICHISCHE NATIONALBANK
Sekretariat
Brandstetter Bayer

Encl.

Mr. Pierre-Paul Schweitzer
Managing Director and Chairman
of the Board of Governors
International Monetary Fund
19th and H Streets, N.W.
Washington, D.C. 20431
U.S.A.

cc Mr. Andersson

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Interim Information on

"Convertibility, Multilateralism, and Freedom"

Publication honoring Prof.Dr. Reinhard KAMITZ on the occasion of his 65th birthday.

A. Tentative General Concept:

Part I: Prof.Dr. Reinhard Kamitz: Personal Appreciation

Part II: The One World Concept

Part III: International Monetary Cooperation

Part IV: Monetary and Fiscal Policy

Part V: Free Enterprise

B. Invited authors' affirmative reactions received so far and tentative working titles:

Hermann Josef ABS:	Title still open.
Hubert ANSIAUX:	Will write on Realization of the European Economic and Monetary Union by the Members of the Common Market (for part III).
Gérard BAUER:	Title still open. Probably including evaluation of Kamitz' service to Austria and Europe by his faith in economic liberalism and freedom.
Guido CARLI:	Title still open. Will deal with subject under part III.
Fritz DIWOK:	Will write Prof. Kamitz' biography including an evaluation of his personality.
Otmar EMMINGER:	Title still open. Will probably write on Reform of the International Monetary System.
Ludwig ERHARD:	Suggested title: "Freedom in a 'democratized' Democracy".
Edmond GISCARD D'ESTAING:	"The Liberalization of International Payments" (for part II).

Andrew L. GOMORY:	Title still open.
Gottfried HABERLER:	"What Made Post-War World Trade Grow so Rapidly?" (for part II).
Gabriel HAUGE:	"Social Responsibility of Business" (probably for part V).
Alfred HAYES:	"The Challenge to the Dollar in a Changing World - America's Role in Making the World Financial System Work" (for part II or part III).
Max IKLÉ:	"The Eurodollar Market in the Monetary Crisis" (for part II or part III).
Andreas KORP:	"Austria's Way to a Hard Currency" (for part I or part IV).
Andor LÁSZLÓ:	"Economic Reform and the Market Mechanism" (for part II or part III or part IV).
Fritz MACHLUP:	Title still open. Will contribute to part III.
Nikola MILJANIĆ:	"Encouraging Market Forces in a Socialist Economy" (for part II or IIIor IV).
Alfred MÜLLER-ARMACK:	"Problems of Stability in the International Monetary Community" (for part II or III).

Mariano NAVARRO RUBIO:	Title still open. Will probably write on "Liberalization: Prerequisite for Economic Development and Growth" (for part II or III).
Franz NEMSCHAK:	"Economic Research and Economic Policy in Austria" (for part IV).
Walter NEUDÖRFER:	Title still open. Will contribute to part II.
Rinaldo OSSOLA:	Title still open. Will probably deal with subject on SDRs under evolutionary aspects (for part II or III).
Theodor PÜTZ:	"Principles and Targets of Monetary Policy" (for part IV).
Eberhard REINHARDT:	"Requirements of (Expectations in) a Good Reserve Currency" (for part II or III).
Robert ROOSA:	"Reconciling National and International Economic Policy: The Problem of Interest Rates" (for part II, III or IV).
Jacques RUEFF:	Title still open. Will probably write on "Gold, Dollars and SDRs" (for part II or III).
Edgar SALIN:	"J.M. Keynes and L.A. Hahn - Their World and the World of Today" (for part II).

Nathaniel SAMUELS:	Will probably write on "History of the Eurodollar Market" (for part II or III) or on "The U.S. Balance of Payments Situation and the Future Role of the Dollar in the International Monetary System" (for part III).
A. SCHAEFER:	"Private Enterprise" (for part V).
Wolfgang SCHMITZ:	"Monetary Problems in East and West" (for part II or III).
Pierre-Paul SCHWEITZER:	Title still open.
Erich STREISSLER:	Title still open.
Maximilian THURN:	"The Burden of Adjustment" (for part IV).
Marcus WALLENBERG:	Title still open. Will contribute to part IV.

DR. WOLFGANG SCHMITZ
PRÄSIDENT
DER OESTERREICHISCHEN NATIONALBANK

Vienna, June 23, 1971

Dear Mr. Schweitzer:

Many thanks for your letter of June 11, 1971, and for your willingness to contribute to the book we plan to edit in honor of Dr.Kamitz. I am sure that your article will greatly enrich the publication.

I am planning to send out another letter shortly informing the authors of the reactions received so far and of the working titles chosen, in order to avoid overlapping.

Thanking you again, I am with kindest personal regards,

Yours sincerely,

Mr. Pierre-Paul Schweitzer
Managing Director and Chairman
of the Board of Governors
International Monetary Fund
19th and H Streets, N.W.
Washington, D.C. 20431

Mr Smith

Office Memorandum

TO : Members of the Speech Committee

DATE: June 14, 1971

FROM : Roger V. Anderson RVA

SUBJECT : Committee Meeting

The Managing Director has agreed to deliver a lecture in Wales shortly after the Annual Meeting, and to contribute to a volume in honor of Professor Kamitz. Material relating to both of these matters is attached. Although the contribution to the Kamitz volume may not be within the normal purview of the Speech Committee it would probably be useful for us to consider it together with the speech in Wales, keeping in mind that there will have to be speeches for the Annual Meeting and the ECOSOC.

I shall be in touch with you shortly about a meeting to consider these matters.

Attachments

June 11, 1971

Dear Dr. Schmitz:

On returning to Washington, I found I had not responded to your letter of May 7 inviting me to contribute a chapter to the book "Convertibility, Multilateralism, and Freedom" in honor of Professor Kamitz. As I mentioned when we met recently, I shall of course be delighted to provide a chapter, and I enclose a short biography as you requested.

Yours sincerely,

P.-P. Schweitzer

Dr. Wolfgang Schmitz
President
National Bank of Austria
Vienna, Austria

cc: European Dept.

DR. WOLFGANG SCHMITZ
PRÄSIDENT
DER OESTERREICHISCHEN NATIONALBANK

Vienna, May 7, 1971

Dear Mr.Schweitzer:

On June 18, 1972, Professor Reinhard Kamitz will celebrate his 65th birthday. On that occasion the Austrian National Bank will edit a book honoring the former President of this bank. In view of the high reputation which Dr.Kamitz has not only in Austria but also abroad, I should like to invite his large international circle of friends, academics and practitioners, to contribute to this publication.

In our days, when the principles which after World War II made possible the economic reconstruction of the world are being questioned, such a publication might be a valuable contribution to the world-wide discussion on the optimum international and national economic and monetary system.

Under the title

"Convertibility, Multilateralism, and Freedom"

and the subtitle

Economic Policy in the Seventies

the basic principles of Professor Kamitz's economic policy will be recognized. Besides, also the successful basic concept of economic cooperation carried out since the end of World War II shall be appreciated and - on account of the experiences made with it - seriously examined.

Following an appreciation of Professor Kamitz, a group of contributions under the heading

"One World Concept"

will deal with the importance of a free exchange of goods and services as well as of free payments not only for the maintenance of freedom but also for an optimum allocation of resources and thus for a maximum increase in prosperity.

Another group of contributions under the collective title

"International Monetary Cooperation"

will deal with the developments in the field of international monetary cooperation.

Considering the importance of the monetary and fiscal policy for a coordination of the aims of economic policy, a further group of contributions shall be compiled under the title

"Monetary and Fiscal Policy".

Finally, it is intended to have some contributions under the title

"Private Enterprise"

which could complete the retrospective and perspective character of this publication.

Also without direct regard to Reinhard Kamitz, the book should be of value to all who take an interest in the further development of international economic and monetary cooperation in a free society.

Taking into account the international character of the publication, all contributions will be published in English. The editor will take care of the translation of contributions written in other languages than English. The book will be published by the Springer Verlag Wien - New York.

I should like to invite also you, dear Mr.Schweitzer, to contribute to this book. The choice of the subject we leave, of course, to you. However, in view of your great experience in international monetary policy and related matters, I should like to suggest that you contribute to part III, "International Monetary Cooperation", may be dealing with a subject like "The International Monetary System in a Changing World".

The contribution should have a volume of approximately 15 to 2o typewritten pages (about 3o lines each). Since the book shall appear early in 1972, we should have your contribution until September 3o, 1971, at the latest. Besides, we should appreciate receiving a short curriculum mentioning also your most important publications (1o to 15 lines). The curricula will be printed to introduce the contributing authors. A list of the authors invited is enclosed.

May I ask you, dear Mr.Schweitzer, to kindly inform me whether you are able to comply with the above request and if so, which subject you wish to choose.

I should like to mention that, since the publication represents a gift from friends and colleagues to Reinhard Kamitz, according to common practice in such cases, no honorarium is envisaged for the contributions.

Thanking you in advance for your kind assistance, I remain

Yours sincerely,

Encl.

cc: European Department

Mr.Pierre-Paul SCHWEITZER
Managing Director and Chairman
of the Board of Governors
International Monetary Fund

19th and H Streets, N.W.
WASHINGTON, D.C. 2o431

Hermann Josef ABS	Bundesrepublik Deutschland
Hubert ANSIAUX	Belgien
Gérard BAUER	Schweiz
Guido CARLI	Italien
The Earl of CROMER	Großbritannien
Fritz DIWOK	Österreich
Ludwig ERHARD	Bundesrepublik Deutschland
Milton FRIEDMAN	USA
Andrew L. GOMORY	USA
Edmond GISCARD D'ESTAING	Frankreich
Gottfried HABERLER	USA
Gabriel HAUGE	USA
F.A.v. HAYEK	Österreich
Alfred HAYES	USA
M.W.HOLTROP	BIZ bzw. Niederlande

Max IKLÉ	Schweiz
Andreas KORP	Österreich
Andor LÁSZLÓ	Ungarn
Fritz MACHLUP	USA
William McChesney MARTIN	USA
Nikola MILJANIC	Jugoslawien
Oscar MORGENSTERN	USA
Alfred MÜLLER-ARMACK	Bundesrepublik Deutschland
Franz NEMSCHAK	Österreich
Walter NEUDÖRFER	Österreich
Rinaldo OSSOLA	Italien
Theodor PÜTZ	Österreich
Eberhard REINHARDT	Schweiz
Robert ROOSA	USA
Mariano Navarro RUBIO	Spanien
Jacques RUEFF	Frankreich
Edgar SALIN	Schweiz
Nathaniel SAMUELS	USA

A. SCHAEFER	Schweiz
Wolfgang SCHMITZ	Österreich
Pierre-Paul SCHWEITZER	IMF
Samuel SCHWEIZER	Schweiz
Erich STREISSLER	Österreich
Maximilian THURN	Österreich
Marcus WALLENBERG	Schweden
Masamichi YAMAGIWA	Japan
Xenophon ZOLOTAS	Griechenland