

A Europe Made of Money: The Emergence of the European Monetary System

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‘If the Euro fails, Europe fails’, Angela Merkel boldly declared in September 2011; a potent reminder of how monetary integration lies at the heart of today’s European Union.⁽¹⁾ Yet the Eurozone has not been the first attempt at European monetary cooperation. Already, in the early 1970s, the collapse of the Bretton Woods system had triggered various initiatives, eventually leading to the creation of the European Monetary System [EMS] in 1979. The EMS introduced an exchange rate mechanism that tied European currencies permanently together within an agreed band. As it put monetary integration at the centre of the European project for the first time, it is well worth taking a closer look at its creation, which is precisely what Emmanuel Mourlon-Druol sets out to do in his timely and important book, *A Europe Made of Money: The Emergence of the European Monetary System*.

While there is no shortage of literature on the EMS, the 30-year rule applied in most European countries meant that previous works largely had to rely on secondary literature, or on the recollections of key protagonists.⁽²⁾ By contrast, Mourlon-Druol's book is based on extensive primary research, using materials from 18 archives in six different countries. This includes official records from key EC member-states, the European Central Bank archives and the European Commission Historical Archives, as well as the personal papers of individual actors. This makes the book a both multi-layered and multilateral study, escaping the potential pitfalls of a historiography that sometimes confines itself to a single analytical level or too readily adopts national perspectives.

Yet, the book's true originality lies in its arguments. Mourlon-Druol rejects the view that the EMS constituted a new and revolutionary approach to European monetary integration, an impression often gained from subsequent EU mythology or the likes of Helmut Schmidt and Valéry Giscard d'Estaing. Instead, he emphasizes the many continuities of the scheme with earlier ideas of monetary integration. In particular, he argues that the EMS in its final shape was 'almost identical' (p. 258) to the previous currency snake that had bound some European currencies together since the early 1970s. This has important implications for how the book is set up. While previous works have tended to focus almost exclusively on the actual negotiations leading to the EMS in 1978–9, this book instead portrays the EMS's creation as part of a longer-term process of 'slow, tortuous, but continuous monetary cooperation' (p. 194) from 1974 onwards. It rejects 'simplified' stories that the EMS negotiations 'form a coherent and autonomous whole'; instead embedding them in a longer story of 'uncertain, protracted monetary cooperation' (p. 4). As a result, the book adopts a largely chronological structure from the demise of the Bretton Woods System onwards. After an introductory first chapter, in which the reader is introduced to the various debates over European monetary cooperation from 1945 to 1974, the book spends three chapters on various earlier schemes for monetary integration in the period from 1974 to 1977, before moving on to the actual negotiations leading to the EMS (chapters 5–8).

Mourlon-Druol argues that the interaction of two long-term processes account for how and when the EMS was created – a transnational learning process of monetary elites, and the emergence of political will for monetary cooperation on the highest political level. With regards to the transnational learning process, Mourlon-Druol beautifully illustrates how the EMS's lack of originality in technical terms can 'largely be explained by the spread of a Bundesbank-inspired consensus on a snake-like system among a transnationally connected monetary elite' (p. 262). In order to back this up, the book painstakingly reconstructs and analyses the many complex proposals for European monetary cooperation that had been floating around since the early 1970s, including the Werner Plan, the Fourcade Memorandum, the Duisenberg Proposals, or the Jenkins proposal. Through in-depth analyses of these various schemes, Mourlon-Druol uncovers the 'Socratic way' (p. 263) in which monetary elites thought about monetary cooperation. Noting how 'the same names were always appearing and with numerous interconnections' (p. 263), he illustrates how the 'Bundesbank interpretation of monetary policy, and by extension the stability-orientated economic policy of the German government', gradually came to prevail against other schemes (p. 265). This is explained by the Bundesbank's political independence and its dominant influence in the European monetary system, Germany's economic power inside the EC, as well as by the relative success of the German-dominated currency snake during the 1970s. As a result, the EMS remained a 'fundamentally intergovernmental cooperative mechanism' that largely left out redistributive aspects (p. 266).

Yet, if such a transnational debate over monetary cooperation had been going on for years, why did the EMS only emerge in 1979? Here, the book highlights the paramount importance of domestic factors in shaping each country's approach to monetary integration. In the case of West Germany, for example, Mourlon-Druol shows how a focus on stability-orientated economic policies dominated its approach to monetary integration throughout; yet, he also identifies the Federal Republic's political shift in 1977, moving away from the United States and seemingly 'willing to provide a European answer to global problems' (p. 279), as a key turning point in the EMS's creation. By contrast, the case for France is less clear-cut, as changes in French domestic politics often had a paramount impact on the wider perspectives for European monetary cooperation. In chapter three, for example, Mourlon-Druol not only highlights how the economic U-turn of

the French government in late 1975 – the decision to abandon stability-orientated policies for a Keynesian-inspired plan for economic growth – was overwhelmingly motivated by electoral and party-political motivations, but he also shows how this decision led to an erosion of trust in French policy on the German side (pp. 72-7). It was only when the nomination of Raymond Barre as prime minister in August 1976 reversed this course that plans for monetary cooperation became viable again (p. 105). For Britain, on the other hand, this new Franco-German impetus in 1976-7 ‘marked the beginning of British self-exclusion from the advancement of EEC cooperation’ (p. 276); though Mourlon-Druol also suggests that the fact of self-exclusion does not necessarily imply ‘that the British government was wrong in doing so’ (p. 276).

Thus, the book clearly puts close Franco-German cooperation at the centre of the EMS story, highlighting the crucial importance of Schmidt and Giscard as key protagonists. It places particular emphasis on the importance of trust in each other’s economic policies, noting how the bilateral understanding was primarily based on a ‘convergence in policy beliefs rather than in policy outcomes’ (p. 274). Mourlon-Druol offers detailed and nuanced analyses of the economic and political thought of Schmidt and Giscard, though not ignoring major differences between the two. At times, indeed, it seemed as if ‘the only thing on which they were wholly agreed was the necessity that they should agree’ (pp. 238-9). Of particular strength here is the detailed analysis of Schmidt’s surprising turnaround in early 1978. While the German chancellor had previously been reluctant to support new schemes for European monetary integration, Mourlon-Druol shows that Schmidt’s sudden readiness to openly support a new scheme in early 1978 was not least due to the outcome of the French general elections that March (pp. 152-5).

In so doing, then, Mourlon-Druol reaffirms the essentially political nature of the EMS scheme. However, while he constitutes that the new stimulus for monetary cooperation in 1977-8 was largely down to ‘personal decisions made by individuals’ (p. 157), he does not accept the heroic tales of key protagonists uncritically. Instead, what matters to him is the forum in which they could exercise their influence inside the EC machinery, namely through the newly created European Council.⁽³⁾ Strongly supported by the biggest member-states, the European Council could give political weight and legitimacy to the EMS initiative by offering some form of collective leadership on monetary questions. This distinction between national agendas and the institution of the Council, however, is at times somewhat misleading. After all, the European Council could easily be dismissed simply as a new forum for traditional bargaining between member-states, offering Schmidt and Giscard a vital opportunity to ‘progressively reintroduce an intergovernmental – even bilateral – initiative into the EEC machinery’ (p. 269). Nonetheless, Mourlon-Druol is certainly right to stress the paramount importance of the Council meetings during 1978 in shaping the eventual consensus on the EMS scheme. As he puts it in his conclusion, ‘the European Council’s political impetus explains why reheated old ideas became a palatable dish for EEC heads of government, while the slow formation of a transnational consensus among a European monetary elite along a Bundesbank-inspired line explains the absence of novelty in the EMS’ (p. 268).

For Mourlon-Druol, it is precisely this interaction between transnational learning-processes and the political lead given by the European Council that lies at the centre of the EMS’s creation. Therefore, in his conclusion, he places great emphasis on the ‘interaction of transnational, supranational, and intergovernmental phenomena’ behind the quest for European monetary cooperation in the 1970s (p. 268). In so doing, Mourlon-Druol rejects both state-centric and state-phobic approaches to the study of European integration. Speaking out against an increasingly compartmentalized historical profession, he suggests that the ‘traditional oppositions in the historiography appear somewhat superficial’ and ‘all-too simplistic’ (p. 270). In his eyes, only the *combination* of supranational and intergovernmental phenomena can truly explain the creation of the EMS; and the real task for historians of European integration is to strike a good balance between these two. Given his analytical sophistication as well as the meticulous research on which this book is based, Mourlon-Druol fully succeeds in this self-assigned task.

In a sense, then, this book is not only about a *Europe Made of Money*. It is also about a Europe of transnational elites trying to penetrate decision-making channels; a Europe fundamentally shaped by domestic developments in key countries; a Europe trying to escape institutional paralyses; and, ultimately, a

Europe trying to reassert its role in the increasingly globalized world of the 1970s. While deeply complex and technical subjects like monetary integration do not usually make for light reading, the strength of Mourlon-Druol's book lies precisely in the way in which it manages to regularly transcend such technicalities by highlighting the bigger implications of the EMS for how we understand the larger processes of European integration today. Thus, *A Europe Made of Money* is not only an authoritative and well-researched history of the creation of the European Monetary System, but it also forces us to reconsider how we approach the study of European integration more generally.

Notes

1. *SPIEGEL* Online, "If the Euro Fails, Europe Fails": Merkel says EU must be bound closer together', 7 September 2011 <<http://www.spiegel.de/international/germany/if-the-euro-fails-europe-fails-merkel-says-eu-must-be-bound-closer-together-a-784953.html> [2]> [accessed 30 January 2013]. [Back to \(1\)](#)
2. Major works are P. Ludlow, *The Making of the European Monetary System: A Case Study of the Politics of the European Community* (London, 1982); H. Ungerer, *A Concise History of European Monetary Integration: From EPU to EMU* (Westport, CT, 1997); L. Tsoukalis, *The Politics and Economics of European Monetary Integration* (London, 1977); K. Dyson, *Elusive Union: The Process of Economic and Monetary Union in Europe* (London, 1994). [Back to \(2\)](#)
3. On the creation of the European Council, see also E. Mourlon-Druol, 'Filling the EEC leadership vacuum? The creation of the European Council in 1974', *Cold War History* 10, 3 (2010), 315–39. [Back to \(3\)](#)

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