## Contents

	Foreword	xi
	Preface	xiii
	List of Abbreviations	xviii
I	EUROPEAN MONETARY UNIFICATION	
	FOR BALANCED GROWTH:	
	A NEW APPROACH	I
	Outline of the new approach	I
	Summary of the Werner Report	2
	Growth as the ultimate economic objective of	
	integration	6
	Payments in semi-integrated and in fully merged economies	8
	Different national propensities to inflation as an	
	obstacle to an acceptable pattern of unified policies	10
	Differentiated regional policies as a way out of	10
	the deadlock	10
	Limited scope for 'locally' financed expansionary	13
	policies in a fully integrated area	17
	Twin economic policies for the high- and the	- /
	low-activity regional groups respectively	19
	Means of implementation of a centrally financed	-3
	policy for the low-activity regional group	22
	Structure and operations of a Multi-role	
	European Bank	29

## CONTENTS

	The European currency unit and national	
	currencies: the management of a dual monetary	
	system	32
	Partial internal flexibility of exchange rates in the	,
	process of integration	36
	References	41
2	THE THEORY OF OPTIMUM	
	CURRENCY AREAS AND EUROPEAN	
	MONETARY UNIFICATION	43
	International trade theory and the theory of	
	optimum currency areas	44
	Openness and diversification as conditions for	
	optimum monetary areas	48
	An unsuitable criterion: factor mobility	51
	Factor mobility and regional development	54
	Mobility and stabilisation policies in a currency	
	area	59
	The national propensity to inflation and its	
	determinants	62
	The national propensity to inflation as a criterion	
	for the optimum currency area	66
	National, regional and industrial propensities to	
	inflation	<b>6</b> 9
	Path to the formation of one optimum currency	·
	area in the E.E.C.	73
	References	81
3	FURTHER CONSIDERATIONS ON THE	
	NEW APPROACH TO EUROPEAN	
	MONETARY UNIFICATION	85
	The plight of the low-activity regions	86
	High-activity regions with low inflation	
	propensity	91
	High-activity regions with high propensity to	
	inflation	94
	Policy harmonisation and conditions for its	-
	effectiveness	97
	Harmonisation and exchange-rate flexibility	102
	Unsuitability of freely floating exchange rates	105

## CONTENTS

	Methods to regulate exchange-rate floating	109
	A European monetary convention to regulate	
	internal exchange-rate flexibility	112
	The new European currency, balanced regional	
	growth and the Community's overall monetary	
	equilibrium	119
	Steps to establish the new European currency	125
	A case for European S.D.R.s?	129
	References	133
	TOWARDS A EUROPEAN MONEY	
4	AND CAPITAL MARKET	
		137
	Europe and the Euro-dollar	138
	Attractions of the Euro-dollar compromise	142
	Europe's monetary sovereignty and the Euro-	
	dollar	147
	Europe's attempts to recover monetary control	151
	The quest for competitive alternatives to the Euro-dollar	158
	The narrowing of the intra-E.E.C. margins of	3
	fluctuation and the need for Community	
	liquidity	168
	Community liquidity is needed to 'internalise' intra-	
	E.E.C. trade	173
	Administrative controls on capital movements and	- 73
	monetary unification	174
	From communicating to fully integrated markets	179
	A ring of E.E.C. financial centres	183
	A suggested specialisation pattern for E.E.C.	- • 5
	financial centres	190
	References	196
		3
	APPENDIX: EUROPEAN MONETARY	
	INTEGRATION	199
	Introduction	199
	The meaning and rationale of monetary integration	200
	Outline of a new plan by stages	202
	(1) The preliminary stage	202
	(2) The intermediate stage	203
	(3) The final stage	204

## CONTENTS

The European Bank and the Europa	204
Exchange rates during the transition	211
(1) Intra-European parities	211
(2) The width of the bands	219
(3) Europe/rest of world parities	219
The non-monetary conditions for transition to	
monetary union	214
Interpenetration	215
Harmonisation	216
Regional policies	217
Political conditions	220
Conclusion	221
Index of Authors	223
Index of Subjects	