



The Making of the Delors Report: an Insider's View¹



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ABSTRACT

The Delors Committee (1988-1989) played a crucial role in the process of European monetary integration, especially in the preparation of the Maastricht Treaty. In this article Niels Thygesen, one of the few members of the committee who is still alive, tells in an interview with Ivo Maes and Sabine Péters, about his experience in the committee. He identifies the key issues, the crucial players and analyses their strategies and interactions, offering thereby fascinating insights in the making of the Delors Report.

INTRODUCTION

The Delors Report was of crucial importance in the process of European monetary integration. The decision to create the Delors Committee was made at the Hanover meeting of the European Council on 27 and 28 June 1988. The Hanover European Council confirmed the objective of economic and monetary union and decided to entrust to a

¹ We would like to thank all the persons who contributed to the project. Naturally, the usual restrictions apply.



Committee the task of studying and proposing concrete stages leading towards this union. The Committee was chaired by Jacques Delors, who had the confidence of Kohl and Mitterrand, and, as a former finance minister, the technical expertise. The governors of the central banks - in a personal capacity - were also on the Committee. Delors wanted them to be members, both because of their technical expertise and because this would bind them to the monetary union project. There were also three independent experts: among them Alexandre Lamfalussy, the General Manager of the Bank for International Settlements, and Niels Thygesen. Thygesen's involvement with the process of European monetary integration had really started in 1974 with his membership of the Marjolin Committee (which provided an assessment of the failure of the 1970 Werner Report). Since then he had been involved in a multitude of committees and initiatives, like the OPTICA groups for the European commission, the All Saints Day Manifesto and the Committee for Monetary Union in Europe (an initiative of Valéry Giscard d'Estaing and Helmut Schmidt).

The Delors Committee produced its report in its April 1989 meeting (Committee for the Study of Economic and Monetary Union, 1989)². The Delors Report would assume a crucial role as a reference and anchor point in further discussions. It basically revolved around two issues: first, which economic arrangements are necessary for a monetary union to be successful? Second, which gradualist path should be designed to reach economic and monetary union? In this article Niels Thygesen, one of the few members of the committee who is still alive, tells in an interview with Ivo Maes and Sabine Péters, about his experience in the committee. The article is based on a much longer interview in which Niels Thygesen tells about his life, career and involvement with European monetary union (Maes and Péters, 2020)³.

Before discussing the Delors Committee, could you tell us how you got to know Jacques Delors?

I met Jacques Delors first as an academic economist. He was temporarily Professor at Paris Dauphine in the 1970s and developed his approach to labour market and employment policy at that time; I had the good fortune of meeting him in a couple of conferences. So, I knew him a bit when he became Finance Minister of France, and I had a discussion with him when he visited my country in 1981 to review EU economic policies. But I did not really

2 Committee for the Study of Economic and Monetary Union (1989), Report on Economic and Monetary Union in the European Community, Delors Report, Luxembourg.

3 Maes Ivo and Sabine Péters (2020), A Dane in the Making of European Monetary Union. A Conversation with Niels Thygesen, Working Paper 382, National Bank of Belgium, May.



have direct contact after he became President of the Commission prior to 1988, when I was nominated to be a member of 'his' Committee to prepare EMU.

How do you assess the influence of Jacques Delors in the EMU process?

Jacques Delors played a major role in this period and in this process, particularly by reviving at the appropriate time (1985-6) the idea of EMU which had been dormant for many years. Delors seized the opportunity and saw the link between the single market and the single money. It was a link that was appreciated by the business community, by a number of politicians in Europe, even by trade unions, who were getting worried about too many exchange-rate changes. Although there was some support for him, he did not succeed in putting EMU into the so-called Single Act of 1986, but it was mentioned. But soon thereafter he started to prepare the essential alignment of German and French views, crucial to bring the project forward. And he fostered the idea to set up the Delors Committee consisting mainly of central bankers, and that proved helpful. He did so skilfully, based on his uniquely close relation with the German Chancellor, but also with the French President – he was a member of the Mitterrand Government 1981-4. So, Jacques Delors did play an important role. He kept the pressure up and used the propitious circumstances to advance the project. By propitious I mean that there was from around 1990 a unique confluence of interests among many countries in Europe. Germany was already not as strong and dominant at Maastricht as had been feared by others, because unification was becoming a major economic burden for the Germans; they needed the kind of currency stability that the preparation to EMU would give in a difficult period, and they had problems similar to those of many EU countries in containing public expenditure. So Delors seized quite well the opportunity. Other initiatives of his were less successful, and he did not build the framework for coordinating fiscal and structural policies that he hoped. But, on the whole, he had an essential influence over most of the decade he was in office until the end of 1994.

What was the importance of the Delors Committee in the EMU process?

The Delors Committee was, from a technical point of view, an elegant move, in the sense that it brought the central bank governors into designing the project. It did not ask them to express their views on whether EMU was a good or bad idea, because they should just assume that governments wanted to build EMU. But how should it be designed? This was a task on which the central bank governors were more prepared to speak up; they had ideas, clear ideas, which were not controversial. Part of Delors' strength was that he had seen, in contrast to how the EMS was negotiated a decade earlier, that it was important to have the central bankers on board to lend credibility to the project. He succeeded, as all twelve central bank governors did sign; whatever reservations they may have had, they all found it impossible not to sign up at the end.



In the Delors Committee, who were the main protagonists, the heavyweights?

Jacques Delors was obviously a heavyweight since he was guiding the proceedings, but he was a discrete chairman, he did not try to impose himself. Delors had great respect for the central bankers, as he had been himself in the central banking world early in his career, and he was a good listener; most people did not expect that from him. He was invariably polite and correct towards the central bank governors, who were not always as correct with him. That applies in particular to President Pöhl of the Bundesbank, who was obviously another major figure in the committee although he did not say as much as the outside world might believe, because he relied on his own colleagues in Frankfurt and his allies among the governors. The Bundesbank produced a major paper just before the Delors Committee started, restating its basic views and Pöhl felt that liberated him in a way from saying too much, while it also assured him legitimacy vis-à-vis his domestic colleagues who had worked on this paper. So he could relax a little bit and leave the follow-up to some of his allies: like-minded governors in their approach to EMU, notably Wim Duisenberg of the Netherlands, Pierre Jaans of Luxembourg, and Erik Hoffmeyer of Denmark. They were his allies, meeting for breakfast before meetings to distribute interventions between them. So this was one flank in the group, led by Pöhl in a rather subdued manner himself, while his three colleagues were more outspoken. The most outspoken were Hoffmeyer and Jaans. On the other side, the two main protagonists were Jacques de Larosière of the Banque de France, and Carlo Ciampi, Governor of the Banca d'Italia, later President of Italy. Ciampi spoke a great deal as the most enthusiastic supporter of EMU, using rather flowery language to describe the project, to the annoyance of some of the more critical Northern members. Ciampi was eloquent, but he also devoted attention to more technical issues; his staff had briefed him very well on how to manage the intermediate stages of monetary integration.

Jacques de Larosière was clear and strong and had the view also that more attention should be devoted to the intermediate period: to stage two in particular and even to stage one in which he argued that there should be coordinated interventions in dollars and other third currencies by the European national central banks. This idea did not appeal to many of the other governors, particularly not to Pöhl. It was not voted down, but left as a minority position mentioned in the report by Jacques de Larosière. He was nevertheless very influential in shaping the discussions, and in pushing harder than Delors.

Somewhere between Pöhl and de Larosière was Alexandre Lamfalussy who was not only the host of our meetings at the BIS but also a wise man, at the same time, more independent as a policymaker than his central bank colleagues but also a mediating figure between them and highly respected as such. He provided substantial input, not least on the fiscal side, because his collaborator Claudio Borio, still a prominent BIS official, had done excellent work on how national federations operate on the basis of fiscal rules and, in



a secondary role, of market discipline. These two subjects were Lamfalussy's particular contributions to the debate and he carried a considerable authority, drafting most of the paragraphs that relate to these subjects.

I would say those were the main figures, while many other members did not speak too much. All were encouraged to write individual papers on particular topics. The two secretaries of the committee must not be forgotten because they were very important; Tommaso Padoa-Schioppa and Gunter Baer also wrote annexes, notably comparing the project we were then developing with the Werner Plan for EMU 20 years earlier, pointing out the differences and similarities. More important, since the two Secretaries did not from the start agree amongst themselves, they had argued out some difficult topics before submitting drafts of the main report to the Committee. They were highly influential without being formal members.

Personally, I was on the side of de Larosière and Ciampi (and Delors), collaborating with the assistants of both of these two governors in preparing a couple of background papers. At one point, an initiative I took was struck down firmly by Pöhl. The story is related to the intermediate stage, to the idea of Jacques de Larosière in particular of having central bank cooperation developed already in the intermediate stage. Ciampi and de Larosière supported that and put me in contact with their respective foreign exchange chiefs in their respective banks. We convened a meeting, in the Berlaymont building in Brussels: that was a mistake. We had also invited Mr Pöhl's personal representative Wolfgang Rieke who would have liked to come. But in the end he was asked by his boss not to go. I was told not to have a meeting, and certainly not in the Berlaymont building, as that would suggest a dominance by the Commission, hence by the chairman of the Committee. So that idea was shelved, though it survived in a couple of the Annexes of the Delors Report, but that was not very important. In that respect, I certainly failed.

You said there were two groups in the committee. What were the main points of disagreement? You've been talking about the intermediate phase. Were there also differences on the final phase? Or was it only about the intermediate phase?

The main disagreement was on the intermediate stages. Most members of the Delors Committee no doubt imagined the intermediate stages, particularly stage one, would last much longer than it actually turned out. Only seven years after the Maastricht Treaty was signed, the euro was introduced as a financial currency - and in no less than 11 countries. If you had asked the members of the Delors Committee, they would have thought it would take at least 15-20 years, and that there would be fewer participants. In such a longer perspective, the intermediate stages became very important; Lamfalussy said at one point: 'if we don't define these stages more clearly, we shall never get to the final stage'. The temptation was, for both these groups, to concentrate on the final stage and define what



the central bank would look like in the final stage, and also to discuss in some detail what the non-monetary underpinnings of a monetary union should be. But that was looking far into the future. There was too little attention, several of us felt, to the intermediate stages, and there the opinions clashed because de Larosière, supported by Lamfalussy, said 'we must have some operational joint experience in a long intermediate period, otherwise we cannot just on day one of EMU start a new central bank'. So, he and Lamfalussy pushed for this idea of "learning-by-doing" during stages one and two, but that was met with strong resistance because the Bundesbank was marking its firm support for the principle of monetary policy indivisibility: authority should not be shared until there was a single central bank. Then there would be a straight transition from a decentralized national central banking system to a fully Europeanised system.

On the design of the final stage there was less disagreement. With some reluctance, de Larosière and Ciampi (and myself) accepted an almost ideological tone in the way in which the mandate for the ECB was described - a very 'purist' one, I have called it in subsequent contributions. That term implies that the future ECB was being designed as 'just' a monetary rule, an expression some American critics (like David Folkerts-Landau and Peter Garber) initiated; they asked 'is this ECB really only going to be a monetary rule or is it going to be a genuine central bank with all the functions that we know, that we have in the US?' They were thinking, in particular, of a lender-of-last-resort function, but also of a stabilizing role for the central bank in government bond markets.

There was considerable agreement on the need for central bank independence; no surprise that all governors supported that. At the time, in 1989, they were not independent: the Banque de France was not independent; Banca d'Italia, one may discuss... they had begun to liberate themselves already in 1981 from pressures to buy government bonds at issue. If you had asked most of the governors, they would say 'we're not formally independent, but we have found a way of living with that, we are more independent than we may look'. If you were to begin to touch this nationally, it could not be done; however, if done as part of a European process, that might prove more appealing and feasible. So the governors all supported that, I believe.

As regards price stability, the slogan at the end of the 1980's, when EMU was being prepared, the basis for starting monetary union discussions was the early success in finally bringing inflation down towards a low and stable level. There was not yet full convergence of national rates; Italy seemed stuck around 4%, while France had more or less reached 2%, which became later the norm, while Germany had dropped below. But a key premise for EMU was that it does not serve any good purpose to allow diverging national inflation rates. The Germans still had the fear that the emphasis in a monetary union on external stability - that you have fully fixed currency relationships - might make central banks collectively lose control of the inflation rate, because it could then be raised by implicit



agreement in the ECB. In Bundesbank circles some were pointing to the risks inherent in 'a cartel of central banks'. That's why Germany and her allies insisted on a very firm commitment to medium-term price stability internally as the primary objective of monetary policy in the Delors Report. That was not really contested - not only because it was seen as a condition for German support for the whole project, but also because that was in fact what the Banque de France and other national central banks had been striving for. All participants in the EMS, which had aimed to stabilize from around 1983, had aimed for lower and more stable inflation rates than they had lived with for a decade or more.

What was more controversial were the fiscal underpinnings. They were discussed intensively, but again, I would not say there was more disagreement than on the intermediate stage. There were more or less firm perceptions of how one could design the fiscal guidelines, replicating positions we still see today. German officials put great stress on the disciplining elements - binding guidelines and upper limits to deficits and norms for debt - whereas others argued that rules would have to depend on circumstances and, in particular, on whether a country had particularly large private savings; if so, it could sustain a higher public deficit. In the end the point prevailed that the fiscal underpinnings had to be simple and fairly uniform to be monitored and enforced - though not automatically. That view went into the Treaty and its Excessive Deficit Procedure, and later the Stability and Growth Pact (SGP).

Was it Pöhl who, at the last meeting, came with the formula of 'binding guidelines' on budgetary policy?

That was implicit in the discussions most of the time... But I remember other governors saying at some point, what I just said, a country like Italy, maybe Portugal ... 'we have very large national private savings and no external deficit, do we really need to observe such strict guidelines on fiscal policy'? There was also a perception that some of the Southern European countries might need a catching-up process where they had more public investments, hence an external deficit. Some of these arguments were indeed made in the Delors Committee and again at Maastricht. But they were not reflected in the Treaty. Pöhl was certainly the strongest proponent of the binding guidelines, which were further developed a few years later in the SGP, where the German Finance Minister Theo Waigel famously stated '3 means 3.0', not anything else. But there had to be an element of flexibility (or discretion) in implementation. Even the Germans recognised that - and they were to appeal for it to be used liberally a few years later.



Just a question about the two groups in the Delors Committee, so you weren't really on the side of your own governor, wasn't that a little bit complicated for you?

We were definitely on opposite sides. I was maybe the most radical in favour of the monetary union project; when *Le Monde* wrote about the nominations for the Delors Committee, their main observation about me was that I had not been nominated to slow down the process. On the other hand, Hoffmeyer thought it was a project for the very long term, and that it should be postponed. It would demand much more than the fiscal underpinnings outlined in the Delors Report. He had a point; he was a more of a professional economist (he passed away recently) than most of the other governors. But it is true that it was a bit awkward to be on the other side. He was my former teacher also and a personal friend, so it created some tension and he was also less generous than I had hoped in giving me access to some of the central banking documents that were in the background and that were familiar to the governors. Some of these documents I managed to obtain due to the kindness of de Larosière or Ciampi.

Hoffmeyer basically thought I should not have been part of this exercise; he would have preferred a pure central bank governors committee. To him, supposedly independent people should not have been put into such an official position. He was always very correct personally and the two of us presented the report together to Danish audiences, taking up different parts of the report. But that, I suppose, could have happened between any two members of the group who had different views. Hoffmeyer regarded me as naïve in putting so much confidence in a monetary union with its various rules and entrapments; he was also a strong exponent of the view that national central banks had developed good relations with their governments. They were not independent in a formal sense, but it might be better not to wake up the sleeping dog, since public debates would risk creating serious complications. But if the formal change could be achieved at the European level, maybe that was alright. I continued to have arguments with him in public meetings for a couple of decades, while he became gradually even more sceptical. Meeting him shortly after the crisis in 2008-2009, I said to him 'I suppose you feel you had anticipated some of these troubles'. He answered 'I did not expect it would be that bad'. He tended – in my view wrongly - to attribute much of the responsibility for rising and very high unemployment levels in Southern Europe to the constraints imposed by EMU. In contrast, I believe that it was primarily the external constraint of having joined EMU that made Spain and some others, even Greece, finally embark on the reform process to bring down unemployment in a more durable way than through occasionally overheating of the economy.



One person you place in the middle in the Committee is Alexandre Lamfalussy. Could you say something more about his role and your relation with him?

I knew Alexandre Lamfalussy first, I think, through one of the academic associations in which he was one of the early active members. He was the Treasurer of the 'Société Universitaire Européenne pour la Recherche Financière' (SUERF) when the organization started in the late 1960's, and he spoke regularly at their events; I got to know him already while he was a banker in Belgium, but much better after he moved to the BIS in Basel. I went to meetings and conferences at the BIS and we were both active in SUERF throughout the 1980's and 90's. We both joined informal groups of economists offering policy advice in the late 1970's, when the EMS began to develop. Alexandre was a major source of good ideas in these groups as well.

Which ones?

One was called a strange name, the Villa Pamphili Group, which met a few times in 1977-78 and had among its members Jacques van Ypersele, the Chair of the Monetary Committee in the EU, Conrad Oort, former Treasurer General of the Netherlands, Stephen Marris, OECD chief economist, Bela Balassa of Yale and the World Bank, like Alexandre a Hungarian in exile. Andrew Shonfield, a British member of the Marjolin Group that both of us knew well, and two German members, Norbert Klotten who later joined the CEPS working group on preparing EMU and Armin Gutowski, Chairman at the time of the Hamburg economic institute (HWWA). It was quite an articulate group, including from Italy Giovanni Magnifico, a senior official of the Banca d'Italia.

Another group that became active from the spring of 1979, when the EMS was being implemented, was inspired by Robert Triffin. He was not a member of the group itself, he was more an active policy adviser in Europe. I somehow managed to get him to serve as the Convener (and fund-raiser) for the group. It was a most stimulating group - and Alexander Swoboda, Rudi Dornbusch and John Williamson contributed greatly to that.

During the 1980's I saw Alexandre regularly at conferences - finally in the Delors Committee. I followed him closely during his years at the European Monetary Institute. After that I had the honour to succeed him in one position in the private sector: the chairmanship of the board of Mercato dei Titoli di Stato (MTS), an Italian company which operates an electronic exchange in Europe for bonds, which had been started by the Banca d'Italia. MTS had asked Alexandre to become Chairman in 1998 and when he stepped down in 2003 he generously proposed that I succeed him with my old friend professor Giorgio Basevi as Vice Chair. At that time, I had a couple of long meetings with him in his house in Ohain where we discussed this particular project and I could appreciate fully his deep understanding of how financial markets operate and how this particular electronic



exchange functioned. Alexandre was a wise Chairman of MTS, while he also led the so-called Wise Men's group on joint supervision of Europe's bond markets that led to today's European supervisory authorities (ESAs) for financial markets, banks and insurance and pension companies. In short, I had many occasions to meet Alexandre and to develop great respect and personal liking for him, though I cannot claim to have been a personal friend. He did show me the honour of speaking at the conference marking my retirement from university and of attending the dinner in my house along with Wim Duisenberg, Robert Mundell, Mario Monti and other friends.

Was he very active in the Delors Committee? How was he playing there?

Alexandre acted as a central figure providing some important inputs into the basic questions: the role of market discipline in monitoring fiscal behaviour, and also on the design of fiscal policy where he brought insights from non-European federal countries such as Australia and Canada on how to structure intergovernmental fiscal relations. So he was extremely useful, in a sense, as a scientific member of the group. He was not, as I mentioned, identified with one of the two groups, to the disappointment of Jacques de Larosière and Tommaso Padoa-Schioppa who remarked: 'Alexandre is too passive, too cautious'. While that may have been a fair observation, the quality of prudence was also the reason he enjoyed respect from all.

What was the importance of the Werner Report for the Delors Committee?

The Werner Report was an obvious point of departure, because it had been a similar exercise 18 years earlier. At that time (1970), there were both more positive views on the importance of fiscal policy as a stabilizer in an EMU, but also more boldness about how authority over fiscal policy might be in part centralized. So, the main difference between the Werner Report and the Delors Report was that the former had proposed an additional centre of decision-making to that of the common central bank - a Council of Finance Ministers that could at times override national decisions on fiscal policy. Most observers and governments, not least that of France, doubted that this would prove practically or politically possible, but the idea appealed to some members of the Werner committee. Hans Tietmeyer, the alternate German member and much later President of the Bundesbank said on a couple of occasions that he preferred the Werner Report to the Delors Report. We reviewed the former as one of the first tasks of the Delors Committee by travelling to Luxembourg to have a full-day session with Pierre Werner to discuss his Report. Our two secretaries, Padoa Schioppa and Baer, wrote an annex to the Delors Report on the differences in approach. One difference was that 20 years after the Werner Report there was less conflict because fiscal policy had basically not been stabilizing in individual countries over the two decades prior to 1990. There were many examples of fiscal decisions having been taken too late, on the basis of inadequate information, and on



political grounds, enhancing the cyclical swings of the economy rather than dampening them. That disappointing record had been amply documented in economic research at the time. So, there was no appetite for saying that the Delors Committee wanted an EMU to override national budgetary decisions on fiscal stabilisation grounds in individual countries; what was needed was some form of constraints on strongly deviant fiscal behaviour – so-called ‘gross policy errors’ - when harmful spill-over effects across borders become observable. In normal circumstances fiscal spill-overs would not be strong enough to justify joint concerns.

There were other differences. The Delors Report was persuaded that a single currency was definitely needed to make EMU truly irreversible - not just fixed exchange rates. The atmosphere was also different in another sense: in 1970, when the Werner Report came out, capital movements were restricted, while two decades later there was the problem of how to manage exchange rates in a world where capital had become far more mobile. Most remaining restrictions on capital flows were being removed, as we wrote the Delors Report; when the Maastricht Treaty was signed three years later, even short-term flows had been fully liberalized. That made it much more difficult to envisage exchange rates just being fixed and still potentially adjustable; you then needed a single currency to stabilise the system: that was another difference. But on the whole the two reports were similar in spirit, also by proposing to approach monetary union through three stages of gradually tighter commitments. If the Werner Report had been prepared a couple of years earlier, before the crises of 1968-69 and of the early 1970s, it might have had a chance of being implemented – though it would hardly have been equipped to survive the turbulences of 1973-76. But something did survive from the first stage of the process launched by Werner: a currency arrangement (the 'Snake'), based on a network of unlimited very short-term central-bank credits, and a European Monetary Cooperation Fund, the beginning of an institutionalization of an intervention and credit system among European central banks. Those were useful legacies of the Werner Report, even though its basic ambition was premature.

Besides the monetary pillar, you also have the economic pillar. How would you assess Delors' view of the economic pillar of the EMU?

It would be unfair to say that this was disregarded, because we did spell out four required elements in an economic union: completion of the Single Market – which seemed well under way at that time; a tough competition policy, in order to ensure that large companies do not exploit their position in the single market; some mechanism for structural and regional funds, ensuring that weaker regions share in the faster economic progress that was seen to be the purpose of EMU; and, finally, some (minimum) fiscal rules to underpin monetary union. These rules were hardened and made more operational in the Stability and Growth Pact (SGP) of 1997 with a ceiling to public sector deficits and a



norm for the long-term evolution of public debt; the financing of public activities through central banks was prohibited already in the Treaty. These were progressive steps underway in several Member States; in most of them in the 1980s already there was some readiness to have them consolidated. The four elements, while fairly defining the prerequisites for an economic union, did not include reforms of labour markets to facilitate adjustments in competitiveness. Jacques Delors would have liked to do much more in that area; he did leave a legacy of an EU employment policy with ambitious objectives, but with no instruments to implement it; he also wanted to do more in the coordination of policies, and an unemployment fund was part of the economic mechanisms that Delors had foreseen for EMU. But the time was not ready for that by 1994 when he left office; and it still seems difficult to agree on and implement today, 25 years later.

And financial stability issues, were they discussed?

In contrast to the fiscal issues that were perceived and dealt with early, though in an overly timid way, financial issues were not discussed. And this, you might say, was strange, because there was exceptional financial expertise in the Delors Committee – Alexandre Lamfalussy, Jacques de Larosière, Tommaso Padoa Schioppa – three prominent and highly experienced officials who contributed more than any other individuals to financial integration in Europe when it restarted from the late 1990s. But in 1989 banking crises seemed to be remote, banking was largely a national activity, and Member States were then building up their own national supervisory systems, covering both financial markets, banks, and insurance companies/pension funds; they did not want to discuss whether there was also to be an EU responsibility for regulation and supervision. There was simply a lack of imagination among the participants in the Delors committee, and later at Maastricht, as to what the single currency would imply in terms of deeper financial integration and of how the single currency would strengthen the interdependence of countries, notably through the bond markets. That seemed beyond the horizon; it took ten years before EU and national authorities began to discuss the subject carefully.

You also became the president of the Danish Olympic Committee, which created some difficulties for your work for the Delors Committee ...

Yes, I was the Chairman of the Danish OC for four years, from mid-1984 to just after the Seoul Olympics in 1988. That role was an outgrowth of my activities in my own sport, which was golf. I had served for a few years as Chair of the Danish Golf Union and as such I joined the Board of the Danish National Sports Federation. I travelled often to international sports events and finally to the Seoul Olympics in September 1988. But 1988, you may recall, was also the year of the start of the Delors Committee. The first two meetings in the Committee were complicated, partly due to the Seoul Games. Jacques Delors was very understanding, as I travelled directly from the first of our meetings in Basel



to Seoul... and I came back just in time for our second meeting in Luxembourg, not very well-prepared. But actually several fellow members seemed as interested in the Olympic sports as in monetary policy, not least Jacques Delors himself; he used to read "l'Equipe", the French sports newspaper, as attentively as he read 'Le Monde'.

What is your assessment of the Delors Report now?

I think the Delors Report was useful in clearing up the main issues of principle about EMU and the powers of the ECB, notably its mandate and independence. It was less successful in describing other subjects such as economic union and the stages through which one would get to a monetary union. That was more controversial. Several countries felt that there should be strong advances in the first and second stages towards EMU. Indeed, as already mentioned, the steps outlined by the Delors Report were so vague that one might wonder how one would ever get to a monetary union. The Report was most useful in clarifying some issues of principle and a long-term vision for the ECB. On those issues, a lot of agreement among the central banks became visible because they were all keen to establish the principle of pre-commitment to stable monetary policies and low inflation by the future central bank.

A last question about EMU: What is your opinion now? Would you still defend the same attitude towards monetary union?

I think EMU is a great advance in EU integration. Of course it is imperfect; people in the Commission like to say we should 'complete' EMU. I do not think any monetary union is complete even in large federal countries, but this one certainly needs repair work, or 'deepening' – a now preferred term. I always regarded EMU as work in progress and some of that progress could have been outlined more clearly from the start. The main omission is that we failed to foresee the interaction of government finances and the financial system; that was not obvious in 1989 or at Maastricht. Financial activities were much more national then and it was hard to foresee the massive swings that we saw in financial flows around the financial crisis. We focused too much on how EMU would help the Single Market in goods to develop, but not enough on what enormous push to financial integration it would imply. The unwillingness to centralize elements of financial supervision and give some European responsibility to supervisors and regulators was modified only very slowly. Alexandre Lamfalussy was one of the first to see that, as I already mentioned, setting up a more unified supervisory structure was made urgent by EMU.

But these are things that can be repaired, and they are being addressed. There are still many things to do and the work now going on in the Commission under the heading of deepening EMU is making it more effective and better functioning. It did not function well in containing the crisis from 2008 on, but the original design was not as flawed as seems to



be the general view. EMU was work in progress, but if its principles, notably on the fiscal side, had been observed to a greater extent, it could well have survived in close to its original shape. It did survive quite well the first decade after 1999, partly because the German reunification weakened the German economy, so they had the same problems of public finance as France and even a sizeable external deficit for the first 10-15 years after signing the Treaty. It was initially an easy passage and I am happy the decision was taken at Maastricht – and with a definitive deadline of 1999. If that decision had not been taken there, there would have been all kinds of arguments. We might still be discussing, in 2020, what the conditions are that should be met to have EMU - and they might look forbidding to the national governments. The context of these conditions changes, but once you have a monetary union, you have something to build from. We would not in my views, have a Single Market that could function without EMU. It is not possible to construct a counterfactual scenario, but the one that I can imagine is inferior to what we have today, even with all the complaints that have persisted - not about monetary policy so much as about some incomplete underpinnings of the Union.

One should not be overly critical of the large membership, currently of 19 Member States; the serious problems in EMU relate overwhelmingly to the first 12 members, not to the seven more recent ones that have not had serious crises in the meantime - except for Cyprus, but then as a by-product of the Greek crisis. EMU has done a great deal of good for most of its members. I note also that in my own country there is not much criticism of EMU. We follow the policies of EMU, the fiscal rules, monetary policy, since they suit us quite well. They partly also suit Sweden, although the Swedes are more detached from EMU, as shown by their lack of attention to stabilizing the euro exchange rate of the Swedish krona.

The three large Central and Eastern European Members States (Poland, Hungary and Czech Republic) are a different story. I do not have any idea of when they will feel politically ready to join. The three newest member States in the Balkans (Bulgaria, Croatia and Romania) are keener to join EMU, but less ready, though Bulgaria and Croatia are soon to join the ERM. It will take some time before we see an expansion. But the aim of joining remains for the long term, even in countries that have become critical of EMU such as the Czech Republic and Poland. If the pre-2015 government in Poland had survived, my guess is that Poland might well have joined by today; there are no obvious economic impediments.