EUROPEAN ECONOMIC COMMUNITY

NINTH REPORT ON THE ACTIVITIES OF THE MONETARY COMMITTEE

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Brussels, 1 March 1967

INTRODUCTION

The purpose of this report is to show briefly how the policies of the Member States are being co-ordinated in the monetary and financial fields, which are those with which the Monetary Committee is specifically and directly concerned.

In the course of the year the Committee held ten meeting, and the working parties dealing with the monetary and financial situations in the member countries met on several occasions.

The officers having completed the two-year term fixed in the Statute, the Committee unanimously re-elected Jonkheer E. van Lennep, Treasurer-General in the Netherlands Ministry of Finance, as Chairman, and M. B. Clappier, Vice-Governor of the Bank of France and Dr O. Emminger, a member of the Bundesbank Direktorium, as Vice-chairmen. A list of members is appended to this report.

The report was adopted on 1 March 1967. It does not take into account economic developments or measures adopted after that date, whether in the Community or elsewhere.

PART I

Chapter I

GENERAL CONSIDERATIONS

1. Ten years have passed since the Treaty establishing the European Economic Community was signed in Rome. This is therefore a not inappropriate moment for the Committee to ask themselves what were the intentions of its authors with regard to co-operation on monetary and financial policy — those with which the Committee is directly and specifically concerned — and to see how far the procedures used have been effective and to consider whether experience suggests improvements. The experience gained in these ten years will be the first topic to be covered, the second will be the prospects for the future.

The general background

2. Article 104 of the Treaty of Rome requires each of the Member States to pursue "the economic policy necessary to ensure the equilibrium of its overall balance of payments and to maintain confidence in its currency, while ensuring a high level of employment and the stability of the level of prices". Article 105 created the Monetary Committee to help in the attainment of these objectives in the monetary and financial fields.

3. With the work allotted to it since the signing of the Treaty of Rome, the Committee today faces four main tasks:

— To promote the co-ordination of the monetary and financial policies of the Member States;

— To follow and report regularly to the Council and the Commission on the monetary and financial situations of the Member States and on their general payments arrangements;

— To elaborate opinions on ways and means of eliminating — to the extent necessary for the smooth working of the Common Market — all restrictions on the free movement of capital between the Member States;

— To carry out consultations with a view to harmonizing the major decisions and policies of the Member States in the field of international monetary relations, notably with regard to the functioning of the international monetary system and the participation of the Member States in major monetary support operations.

4. Article 104 sets for the Member States three economic objectives which are well known and universally approved: payments equilibrium, high employment, and price stability.

This article, which comes immediately after the declaration that short-term economic policy is a matter of common interest, is the first in the Chapter on the balance of payments. It specifies in a particular field the import of the general objective set for the Community by Article 2 of the Treaty, which calls for " steady and balanced expansion " of the member countries' economies.

The emphasis in this article is on the fact that equilibrium in the overall balance of payments is the over-riding objective of economic policy in each Member State — it being understood that the latter cannot of course disregard employment and price-levels. This approach reflects the climate of opinion at the time, when the main threat to the effective implementation of the Common Market was felt to be the precarious international payments relations and the inadequacy of the reserves held by certain Member States.

5. In fact there have been a number of developments in the last ten years which could hardly have been foreseen in 1957 and which have to some extent changed the conditions under which the Treaty has been implemented.

The re-establishment of the external convertibility of the European currencies at the end of 1958 and the complementary measures taken to facilitate the movement of capital have gone far towards eliminating the obstacles that were hampering external trade and capital movements across frontiers. The momentum of the Common Market, too, has been an incentive for more capital from other industrialized countries to flow towards the Community.

Growth in the Common Market has continued at a high rate, and this has been mainly due to the considerable expansion of production capacity that has stemmed from the high rate of investment coupled with a sharp increase in productivity. These developments have helped to strengthen substantially the competitive position of the Member States vis-à-vis non-member countries, thus engendering large and persistent surpluses on the Community's trade with the rest of the world.

Meanwhile, the deficits experienced by the United States of America in recent years have been exerting a profound influence on international monetary relations and in particular on the EEC.

The Community's progress has also been facilitated by the substantial and lasting improvement in the economic, monetary and financial situation of France that has followed the stabilization measures adopted by that country in 1958 and the new exchange rate subsequently adopted.

Lastly, all member countries have suffered, at different times and to varying degrees, from periods of inflationary pressure due to internal factors.

Internal and external equilibrium

6. From the point of view of the co-ordination of economic policy within the European Economic Community, these developments have meant that the problems connected with internal and external equilibrium have not been of the types anticipated. Instead of heavy and persistent payments deficits or a marked weakening of domestic demand, the Member States have had to cope with external surpluses and domestic strain. For this reason the Committee has devoted a considerable part of the time at its disposal to examination of these economic and monetary problems which are at one and the same time internal and external. It has frequently stated its views on these problems in the regular reports it makes to the Council and to the Commission on the monetary and financial trends in the Member States and in the opinions which it has formulated on specific proposals submitted by the Commission to the Council.

7. The emergence of heavy payments surpluses or deficits is almost always evidence that the domestic equilibrium has been upset. Since the task of ensuring general economic equilibrium is the responsibility of the public authorities in each Member State, it is not sufficient for the Committee to consider only the overall payments balance between the Community and non-member countries. For example, no one could claim that the Dutch payments deficit of 1966 was immaterial because in the same year Italy had a heavy surplus. It would also be a mistake to imagine that the heavy external payments surplus expected for 1967 in Germany would be a development of no importance because it is likely to be offset, at least in part, by a deterioration in the external payments balances of Italy and of France. Such changes in the balances between the individual countries in the Community inevitably upset the economic equilibrium of each, and therefore call for corrective measures, which should not be delayed by excessive resort to the palliative offered by compensatory movements of short-term capital.

8. The growing interpenetration of the national economies within the EEC has meant that economic trends in the Member States are increasingly dependent one upon the other. The development of inflationary strain in one member country has often provoked inflationary symptoms in the economies of the others, contamination being carried by the balances on current account. The Committee has on several occasions drawn attention to this phenomenon in its annual reports.

Today, then, attainment of the economic objectives of each Member State depends in very large measure on the way the economy develops in the other member countries. But despite what the authors of the Treaty may have feared, the essential danger has lain not in developments which might have forced the authorities to abandon measures to liberalize the movement of goods and capital and thus have jeopardized the establishment of the Common Market: it is the actual domestic equilibrium of the countries themselves which has been threatened. Price stability has been endangered and in all member countries experience has shown that when sufficient vigilance is not exercised in this field, employment and the economic growth in general will in the long run suffer. It has thus become clear that the Community, and consequently the Monetary Committee, cannot avoid concerning itself with the conditions which affect the economic and financial equilibrium in each Member State.

9. But it has also become clear that even in the present advanced phase of integration economic trends may differ from one country to another, leading the Member States to adopt conflicting measures which inevitably affect the economies of the other countries and may in certain cases produce results which actually hamper achievement of the objectives being pursued by the authorities of these other countries. The divergent trends in the various member countries have certainly sometimes contributed to greater short-term economic stability in the Community taken as a whole, but on other occasions inflationary trends have had a cumulative effect. The principle of co-ordinating national policies should therefore be applied in such a way that the measures adopted in one or more Member States hamper as little as possible the economic policies pursued by their partners and enable the common objectives outlined in the Treaty to be safeguarded in the Community as a whole.

The instruments of economic policy

10. In previous annual reports, the Committee has repeatedly stressed the importance of the range of instruments available for ensuring that the objectives of internal and external monetary and economic policy will be attained; it has also stressed how important it is that the countries should in fact be ready to use these instruments.

a) Budget policy

11. In this context, budget policy has a major role to play. It must, however, be conceded that in the past there have been many gaps in the fabric of budget policy. In most member countries the authorities, and in certain cases the local authorities in particular, have definitely helped to aggravate economic strain.

12. By 1962, central government expenditure was almost everywhere beginning to expand at a rate which soon tended to exceed that of the increase in the national product at current prices. Expenditure by the local authorities also expanded at a rapid pace, mainly because of the needs of urbanization. These considerations have made increasingly clear the limits of work in the purely monetary field and induced the Council of the Community to break new ground.

13. The Council's short-term economic policy recommendations of 15 April 1964 laid the main emphasis on the need to curb sharply the net contribution to economic activity made from public funds. These recom-

mendations were confirmed on 8 April 1965 and re-issued in slightly amended form on 22 December 1966. In general, the Member States have endeavoured to comply with these rules, but the difficulties they have encountered have often been considerable. The Committee nevertheless still considers that criteria in this field are necessary.

14. The Committee appreciates the difficulties involved in a more flexible manipulation of the budgetary instrument — especially because public expenditure is relatively inelastic in the short-term — but wishes to stress once again that greater use should be made of this instrument in re-establishing and maintaining general economic equilibrium. In this connection, the establishment of public expenditure forecasts covering several years should make possible more flexible handling of public finance policy in the medium term. Such forecasts would also help to strengthen the stabilizing impact of variations in fiscal revenue due to business fluctuations, and would enable the authorities to put this factor to better use. The budgetary instrument must none the less be improved if it is to play its proper counter-cyclical role.

b) Monetary policy and capital movements

15. A more deliberate use of budget policy by no means implies neglect of monetary policy: it would be unrealistic to imagine that a budget policy could be applied with such detail and that it could be geared so closely to the changing course of events that the support of monetary policy would become superfluous. The experience of recent years has shown that the generally accepted objectives of monetary policy have not been fully achieved, so the instruments of monetary policy must be strengthened and adapted. The Committee is therefore highly appreciative of the measures taken by certain Member States in recent years to improve and modernize the monetary instruments at their disposal. For example, the experience of certain member countries in using instruments such as minimum reserves and credit ceilings has induced several others to adopt the same techniques as a means of strengthening the effectiveness of their monetary policies.

The Committee has from the outset taken an interest in this problem and in 1962 it published a study on the instruments of monetary policy. A factor strengthening its conviction that these instruments and the conditions in which they can be used must be improved is that the monetary measures taken by one country may have a great impact on the development of the situation in the other countries. Progress in this direction is the more necessary now that firms and commercial banks in the member countries can make use of the increasingly large-scale facilities offered by the Euro-dollar market. Failing harmonization of the range of monetary instruments available to the Member States and greater co-ordination of national policies, this situation is liable to diminish the effectiveness of these policies, which will still have an important role to play in maintaining internal and external equilibrium.

16. Article 69 of the Treaty gives the Committee a part to play in the liberalization of capital movements, which, according to Article 67, must be brought about " to the extent necessary for the proper functioning of the Common Market". In the early years of the Community, the adoption of the two directives on capital movements went far to promote freedom in this field. Today the Netherlands and Italy, and in lesser measure France, still impose exchange restrictions on certain transactions, particularly the short-term movement of money and the issue of foreign securities. In all the Member States, however, capital movements are still hampered by certain administrative, fiscal, or institutional difficulties. This situation unquestionably can and should be improved, if only in view of the objectives laid down in the Treaty of Rome, particularly in Article 3 and 67.

17. It looks very much as if fuller liberalization of capital movements would lead to better utilization of savings and might even, for this very reason, encourage its formation. However, this purpose will be fully attained only to the extent that the liberalization of these transactions is accompanied by fuller interpenetration of the EEC capital markets.

18. The liberalization of financial transactions undoubtedly raises difficulties in present circumstances. It is because of these difficulties that certain Member States still maintain exchange restrictions: there is much to be said for retaining the right to pursue monetary policies tailored to fit the trends prevailing in the several countries as long as these trends diverge, but in financial relations with other countries these policies may lead to results which are not consonant with those sought in the domestic field. More generally, it should be remembered that if the movement of short-term funds is completely liberalized it may, in certain circumstances, be found necessary to adapt the arrangements by which each Member States ensures general economic equilibrium.

This is why endeavours to achieve increased liberalization of capital movements not only entail fuller co-ordination of monetary and budget policies but also require efforts to devise techniques that would make possible the effective control of economic trends in the Member States without exchange restrictions despite the progressive elimination of the manifold obstacles to capital movements.

c) Wages and price policy

19. The Committee has devoted more and more attention to the rise of prices and production costs. In recent years, and particularly since 1963, prices and costs have increased appreciably, although to differing degrees, in all the member countries. More generally, the price trend has not been sufficiently in line with the objectives laid down in the Treaty of Rome.

20. In addition — and this state of affairs is perhaps even more serious — it would seem that the authorities are all too apt to take a price increase of several points per year for granted. Quite apart from all the harm which may be caused, especially from the social angle, by a steady upward

movement of prices, it betrays the existence of excessive strains that could engender liquidity crises or induce periods of recession. The persistent upward movement of prices also encourages a tendency to increase indebtedness at the same time as it diminishes the propensity to save, and this leads to higher interest rates. If prices go on rising more rapidly in the Community than in the rest of the world, the balance of payments may be affected, because the Community's exporting industries lose their ability to compete on world markets.

21. But to confine inflation in the Member States merely to the level recorded in the countries which are the EEC's main trading partners would be a modest objective. The economies interact, just as they do within the Community, in the wider framework of the western world, and it may be wondered whether the Common Market countries could not make a useful contribution to the world economy by endeavouring to apply a policy which would make the EEC a centre of price stability. The more countries implementing such a policy, the greater their influence would be on the rest of the world.

In this connection, as the Committee has stressed in several of its reports, an incomes policy is indispensable. This instrument is particularly valuable in that it enables the Member States to pursue a policy of harmonious expansion without overstepping the increasingly narrow bounds beyond which lurks the threat of inflation or of recession. But an incomes policy can succeed only if budget and monetary policies are pursued in such a way as to ensure that generalized strain on the labour market is avoided.

Outlook

22. The Treaty of Rome requires that Member States shall co-ordinate their policies with a view to the attainment of the Treaty objectives. Since it came into force, this co-ordination has in fact been making progress. The Committee is, nevertheless, aware that current developments in the Community mean that the need for increasingly close and effective co-ordination is greater than ever.

In its seventh annual report, the Committee had already discussed the implications of this evolution, which was leading to de facto monetary integration. It had, at the time, mentioned as one factor in the proposed common agricultural policy, a policy which is now complete on paper and will be implemented stage by stage between 1 July 1967 and 1 July 1968. The customs union will also be complete on 1 July 1968. In addition, as already mentioned in this report, the movement of capital between the Member States is tending to grow more intense. And finally, a recent Council decision has already set in motion the process of fiscal harmonization.

23. In these circumstances, further advances in the co-ordination of economic and monetary policies are proving necessary. First, something should be done to make the national policies more effective. Certain Member States have in recent years allowed home demand to fluctuate to such an extent that domestic equilibrium was threatened and that the economies of the other countries were affected, when more appropriate policies would have enabled demand to be contained within reasonable limits. It is true that to some extent these trends derive more from inadequacies in the execution of national policies than from lapses in co-ordination, and progress in the execution of these policies would considerably enhance the benefits to be obtained from co-ordination. But co-ordination work must increasingly assume the form of consultations prior to every economic or monetary decision which will affect in any appreciable degree the economic development of other Member States. Progress could be made in this connection if quantitative objectives were worked out at Community level to back up the policy chosen. As mentioned above, the establishment of guide lines for the implementation of budget policies would be one improvement, although there would be no need for the objectives to be made identical for all the countries. The form of such guide lines could be worked out in more systematic consultations and by agreement on the best method of putting them forward.

24. The co-ordination process has already been strengthened and extended by the establishment, in 1960, of the Short-term Economic Policy Committee, and in 1964, of the Budget Policy Committee and the Medium-term Economic Policy Committee. The Committee of Governors of Central Banks was also set up in 1964. The Ministers of Finance of the six countries meet regularly, and the Council itself is devoting increasing attention to general economic policy problems.

The chairman of the Monetary Committee attends ex officio the meetings of the Short-term Economic Policy Committee and of the Budget Policy Committee, and this strengthens the Commission's efforts to ensure close co-ordination of the work carried out by all three committees. In addition, the chairman attends the meetings held at regular intervals by the Ministers of Finance. Similar arrangements are being made to ensure co-operation with the Council.

25. At these meetings information is exchanged on the economic and monetary situations and on the intentions of the authorities of each country. To some extent, too, the members of the Committees evolve agreed basic concepts with regard to economic and monetary policies and their meetings are an experiment in management of national policies. Economic policy is pragmatic by nature, and growing co-operation in this field cannot be expressed in rigid rules or in terms of formal obligations. It constitutes nevertheless an essential and increasingly important contribution to the actual institution of the common market. While the day-to-day co-operation certainly goes as far as could have seemed possible when the Treaty of Rome was drawn up, it is none the less clear that further progress is needed today.

26. The fourth main task of the Committee referred to at the beginning of this Chapter is to ensure harmonization of the views of the Member States on international monetary relations. During the period under review, there have been large surpluses on the Community balance of payments and heavy deficits on the United States balance of payments. There is, however, no reason to assume a simple cause-and-effect relationship between these two phenomena simply because they have occurred at the same time.

27. No way has yet been found, within the framework of the relations between the industrialized countries, of eliminating satisfactorily the disturbances to the international payments equilibrium that are apparent in this situation. It is not, in fact, the current account covering goods and services which has been the main problem. For the United States, as for the EEC, the surpluses recorded under this heading have, for the past ten years, approximately represented the sums needed to cover the international responsibilities of the countries concerned, notably the aid they must give to the developing countries.

28. The imbalances arise mainly from movements of capital. A broad stream of American investment has been flowing into the EEC countries and has offset the exports of capital from these countries to non-member countries, especially the developing countries. This stream has been to some extent due to fundamental economic realities. The establishment of the common market, and the many repercussions of the new arrangement in the field of economic expansion and economic structure, have created a climate favourable to investment. It is natural that American companies should have wished to take advantage of these opportunities, particularly as they have been worried about the effects the common external tariff might have on their direct exports to Community countries. But many other considerations have also influenced the flow of capital. The gap between interest rates in the United States and in the EEC countries has also been a relevant factor.

29. Action should be taken to correct the existing imbalance in payments between the United States and the Community. If the policy by which this aim is pursued in the next few years is to prove successful, each party must have a clearer picture of its responsibilities. The United States should limit its capital outflows to a figure not exceeding its current-account surplus and, with the same objective in view, the EEC countries should ensure that an adequate figure for net capital exports is reached. These are, of course, fundamental objectives which will remain valid for many years.

30. Developments in the international sector strengthened the weight and influence of the Community countries. The group which they form is playing an increasingly important role in world economic exchanges; the increase in its gold and foreign exchange reserves, the key position it has

assumed, in recent years, in supporting the operations of the International Monetary Fund and in the implementation of the General Arrangements to Borrow are giving the Community steadily increasing importance.

31. The very existence of the EEC has compelled the Member States to consult one another in detail when deciding how they would deal with these new problems. Harmonization of points of view quickly become one of the Committee's main tasks. A broad measure of agreement has been reached on a variety of important questions, such as the restoration of international payments equilibrium, the conclusion and the renewal of the General Arrangements to Borrow and the raising of IMF quotas. The work carried out in this field by the Committee was confirmed by a decision of the Council in 1964; this laid down that the Member States would carry out prior consultations with the aim of maximum possible harmonization of their decisions and points of view whenever important problems arose in the field of international monetary relations. Although the many detailed discussions of the working of the international monetary system have not always led to full harmonization of views, they have at least brought out a number of points of agreement and, where agreement has not yet been achieved, helped the several countries to understand each other's positions. The Committee is convinced that prior consultation in this field will bring the various views steadily closer together and lead eventually to their harmonization.

Chapter II

DEVELOPMENTS IN 1966 AND THE ACTIVITIES OF THE COMMITTEE

32. Economic developments in the member countries are considered in more detail in Part II of this report, which also resumes the main conclusions reached by the Committee in its periodical examinations of the monetary and financial situations of the Member States.

33. First, however, a broad picture should be drawn of economic developments in the Community as a whole during 1966. The rate at which gross domestic product was expanding increased a little (4.5% in real terms, compared with 4% in 1965). Prices and costs continued to rise at a relatively high rate in most member countries, adding to the strain on both the labour market and the capital market.

34. This overall assessment of the economic trend in the Community masks trends which varied widely from country to country, and which tended in fact to diverge more and more as the year advanced. For example, expansion was confirmed in France and in Italy, whereas in the early part of the year inflationary pressures continued to grow in Germany and in the Netherlands, where the authorities were obliged to take restrictive action. This policy contributed to the marked slowdown of expansion in both these countries during the second half of the year. Events in these countries have a marked resemblance to those which occurred in Italy and in France during the period 1962-1964.

35. The most notable development in 1966 was the very lively upward movement of interest rates in most member countries, a movement which however came to a halt in the last months of the year. It was due to many factors. In the first place firms, with their self-financing margins eroded by the persistent upward movement of production costs, have been obliged to borrow more on the capital markets. The market also had increasingly to accommodate deficits in public budgets. As pointed out in Chapter I, budget policy has not always played its proper role in the countries suffering from inflationary pressures, and the authorities have used monetary instruments to combat strain. The arrangements for controlling the distribution of credit were tightened up by the Central Banks in the course of the year, and this helped to curb the expansion of liquidity. Lastly, the measures by which the United States sought to restrain capital outflows and to curtail the creation of domestic liquidity attracted a considerable flow of short-term capital from Europe to the United States and increased the calls on European savings made by American investors.

36. With their effectiveness heightened by these developments, the efforts made in Germany and the Netherlands to place economic activity on a sounder basis have contributed to a marked slowdown of investment, which in 1967 is likely to decline substantially, above all in Germany.

The budget policy followed in these two countries was designed to restrain domestic consumption, and in Germany at least the weakening of economic activity has for several months been reflected in the emergence of large external payments surpluses, which could well continue, and might even build up further in 1967.

37. The emergence of these surpluses was due mainly to a very sharp increase in the surplus on trade; the long-term capital account, which had yielded a surplus in 1965, was in balance for 1966.

In Italy and in France, the economic recovery contributed to a considerable reduction in the credit balance on current account. In both countries net exports of capital also helped to diminish the overall surpluses. There was some deterioration in the Benelux countries' current operations with abroad.

38. There has, then, been a fairly considerable change in the payments situations of the various Member States. The overall surpluses [1] in Germany, France and Italy account for the fact that in 1966 the Community had in its dealings with the rest of the world a surplus which, though still large, was down from $2 400 million to $1 200 million. The bulk of this surplus was offset by an increase in the Member States' holdings with the IMF ($735 million). Moreover, it should be noted that the final figure was reduced by means of certain "offset" transactions (e.g. advance repayments of money owed to the United States and by investing certain sums for a period of over one year on the United States money market).

39. From the preliminary figures at present available it would seem that 1966 brought no improvement in the United States external position; in fact examination of the main items reveals a qualitative deterioration in the balance of payments. The current account has unquestionably suffered from the pressure on available resources due to the economic disturbances entailed by the growing war effort. The fact that on paper the position looks healthier than a year ago is solely due to those capital operations most prone to ephemeral variations or most directly reflecting the co-operative action which, as pointed out above, was taken by foreign monetary authorities.

40. In 1967 it is unlikely that the movement of short-term funds will make the same contribution to financing the US balance of payments as they did in 1966. There is little reason to expect that part of the American deficit will be covered by the accumulation of dollars by the monetary institutions of the industrialized countries. It therefore seems probable that if in 1967 the United States has to finance a deficit comparable with that of 1966, the most appropriate temporary solution will ultimately consist in recourse to the IMF.

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[1] Balance corresponding to the sum of the following items:
a) Changes in official gold and foreign exchange reserves
b) Changes in net IMF holdings (gold tranche plus GAB)
c) Changes in the net positions of the commercial banks vis-à-vis abroad.

41. In 1966 the United Kingdom balance of payments showed an improvement on the preceding year only from the middle of the year onwards. However, the British authorities expect a sizeable surplus for 1967. To ensure the restoration of external equilibrium, the United Kingdom has been obliged to halt the expansion of domestic activity, and the chances of getting the economy moving again without the risk of another early stop depend to a great extent on the success of the British Government's efforts to implement an effective incomes policy.

42. In the field of international capital movements, the Committee submitted two opinions to the Commission in 1966. The first dealt with further liberalization measures for the immediate future. Having noted that an increase in the movement of capital to non-member countries would reduce payments disequilibria, which had sometimes exerted inflationary pressure on economic developments in the EEC, the Committee felt that further action should be envisaged in this field. It proposed that those Member States still imposing exchange restrictions on international capital movements should grant access to their capital markets not only to borrowers resident in the other member countries but also to those international institutions whose operations consist primarily in the provision of long-term capital for the developing countries. The amount that could be borrowed in this way would be fixed at a specified percentage of gross domestic saving or agreed each year by the Council after consulting the Committee. The Committee hopes that such measures would facilitate Council approval of the draft third directive, which is specially concerned with the elimination of laws and regulations hampering capital movements.

43. The Committee has been informed of another proposal, concerning the submission to the Commission of statistics on movements of capital between the Community and non-member countries. In the opinion which it rendered on this proposal, the Committee observed that facts and figures on capital movements, both between the member countries and between the Community and the non-member countries, would be of great assistance in its work. Such information is essential, and the Committee plans to make periodical analyses at intervals of not more than one year, of the data received.

44. With regard to exchange regulations, liberalization measures have been adopted by France and the Netherlands. Since October 1966 blanket authority has been given to the banks in the Netherlands for the settlement through the official market — the only market to continue — of payments relating to international transactions in securities.

In France, a more radical measure of reform was adopted on 31 January 1967, when financial relations with abroad were freed. Foreign investments in France and French investments abroad will, however, remain subject to some degree of control.

PART II

POSITION IN THE INDIVIDUAL MEMBER COUNTRIES AND MAIN FINDINGS OF THE COMMITTEE

FEDERAL REPUBLIC OF GERMANY

From 1964 onwards the German economy faced a high level of excess demand, due at first mainly to the steep growth of exports, and later to soaring expenditure on investment; in addition there has been the vigorous expansion of budgetary spending, notably on comsumption and in the shape of transfer payments, which acquired special importance in 1965. It was not long before the economy drifted into a state of serious disequilibrium. The result was a rapid increase in prices and costs at home and, externally, a serious deterioration in the balance of payments. The counter-measures adopted by the monetary authorities included a higher Bank rate and lower rediscount ceilings for the banks with the central bank, thus tightening the credit squeeze imposed in the spring of 1964. The measures taken by the Bundesbank to syphon off liquidity from the banking system were made more effective by the emergence in 1965 of a heavy payments deficit.

The effects of these arrangements were felt more and more strongly during 1966, and by the end of the year, despite an increase in the real gross national product of about 3% over 1965, the business situation had grown so sluggish that there was the danger of stagnation or even of a recession. Industrial production, which had been flattened out completely in the summer, dipped a little towards the end of the year, so that all in all the growth of this aggregate for 1966 will have been only about 2%, compared with 5.6% in 1965. This less favourable trend was particularly marked in the capital goods sector, where, for the last half of the year, the figures were lower than those for the same months of the preceding year.

There are several reasons for the decline in private and public investment. Profit margins in industry were being eroded by the persistent rise of production costs, leaving less scope for self-financing, and the growing disequilibrium of the public finances in 1965 led to heavier calls on the capital market. The strain this entailed was aggravated by the payments deficit and the credit squeeze. The resulting sharp increase in interest rates, coupled with uncertainty as to the subsequent development of the economy, induced managements to scale down their equipment programmes considerably. In the public sector, too, the financing difficulties that arose in 1966 were the main reason for the slower expansion of expenditure, particularly investment expenditure.

To the decline in investment has more recently been added an unmistakable decline in the expansion of household consumption. This change in the general business climate has made it possible to slow down the rise in prices, and the upward movement of wages also lost much of its momentum, although unit costs continued to rise.

The slower growth of domestic demand helped to reverse the trend of external payments: exports increased by about 11% in volume, whereas the level of imports showed little change. Thus the trade balance closed with a surplus of about DM 8 000 million, compared with DM 1 200 million in 1965, and the effect on the current account was correspondingly radical: whereas in 1965 there had been a DM 6 000 million deficit, there was a surplus of DM 350 million in 1966. The overall balance of payments closed in 1966 with a surplus of DM 2100 million, compared with a deficit of DM 660 million in 1965. This surplus was reflected in an increase in gold and foreign exchange reserves of DM 1 000 million (in 1965 they had contracted by DM 1 500 million), in an increase in net holdings with the IMF of DM 720 million (in 1965 there had been an increase of DM 660 million) and in an improvement in the commercial banks' net foreign exchange holdings of DM 390 million (compared with an increase of DM 190 million in 1965).

At its session of 8-9 December 1966, the Committee examined the monetary and financial situation in the Federal Republic of Germany and noted that in view of the signs of a slacker trend in investment, which for the first time since the war was affecting even the building industry, the need to support business activity had become more immediate. The relaxation of strain on the labour market (one symptom of which was a decline in the number of foreign workers) might well facilitate measures to revive the economy. Such a policy could however be implemented without risk to price stability only if the upward cost movement were brought to a halt.

There is no doubt that the way the public finances have been handled in recent years has been largely responsible for the present situation. The very rapid expansion of current expenditure on goods and services and of transfer payments in a period of buoyant business added to the inflationary pressures which have made monetary restrictions necessary. In addition, the need to finance public expenditure by heavy calls on the capital market aggravated the difficulties already facing private borrowers.

If, in view of the slacker trends that are becoming apparent, action through the budget were needed to support the level of business activity, the Committee felt that this action should be such that the first to benefit would be public and private investment — the fields most affected — and that in this connection the re-establishement of a better relationship between public consumption expenditure and public investment expenditure was of special importance, provided all precautions were taken to ensure that the financing of supplementary public investment did not engender further strain on the capital markets.

The Committee also recommended that credit policy be made more elastic. The Bundesbank has since scaled down its discount rate from 5 to 4% in two stages and adopted a considerable number of measures designed to increase the liquidity of the banking system. The Committee agrees that this policy is preferable to trying to widen the capital market through abolition of the "Kouponsteuer", a measure which would in any case tend to upset the balance of international payments and the capital markets of Germany's neighbours. In view of the surplus on current account predicted for 1967, there is in fact a case for aiming at net capital exports.

As in 1965, the Committee emphasized the need to ensure a better policy mix with a view to balanced growth in the longer term.

But if growth is to be achieved in a climate of price stability, the upward movement of unit costs must be halted, and in this context incomes policy calls for special attention. The Federal Government has already endeavoured to adjust the wage trend to economic requirements through a concerted operation covering workers and managements: wage increases in 1967 should be aligned on longer-term improvements in productivity.

FRANCE

The recovery which got under way in the spring of 1965 was maintained in 1966 and spread to most industries, though the growth rate declined in the third quarter.

The growth of exports, which had been particularly lively in the early months, subsequently lost considerable momentum as a result of less favourable business conditions in countries which are France's major customers: for the year as a whole, the increase was about 7% by volume, compared with 11% in 1965.

On the other hand, domestic demand was firm throughout; the most dynamic impetus came from the recovery of productive investment, which rose by 7%, and from the growth of local and central government investment, which was maintained at 10%. Residential construction demand, however, slowed down sharply in the course of the year.

Private consumption also contributed to the maintenance of demand: it rose by 4.5%, compared with 3.2% in 1965. The same applies to public consumption, where the growth rate went up from 2.3% to 4.2%.

The average expansion of industrial production (including building and public works), which in 1965 had been only 1.4%, reached 6.8% in 1966. The services sector too was very busy, so that although overall agricultural production was little higher than in the exceptionally good year that preceded, gross national product for 1966 was — at constant prices — nearly 5% up, against 3.4% for 1965.

Imports of goods and services rose sharply, the annual rate of growth (volume) jumping from 3.6 to 12%.

Thanks to appreciable productivity gains, to the relatively high elasticity of supply and to the maintenance of controls, the upward movement in consumer prices, which was steady and moderate throughout the year, did not, on average, exceed 2.7%.

The current balance of payments suffered from the impact of the divergent trend of exports and imports. Net inflows of foreign capital also declined considerably. Consequently, the surplus on the overall balance of payments was a mere FF 1718 million, compared with FF 4503 million in 1965. The surplus was reflected in an increase in official monetary reserves (excluding the IMF position) of FF 1432 million (in 1965, FF 2146 million) and in an increase in net holdings with the IMF of FF 513 million (in 1965, FF 1310 million), while the net holdings abroad of commercial banks declined by FF 227 million (in 1965 there had been an increase in this item of FF 1047 million).

The rate at which the money supply was expanding slowed down appreciably from the second half of the year onwards. For the full year, the figure is much the same as that for the gross national product (value). Domestic liquidity was swollen by transactions with abroad (though less than in 1965) and the Treasury was able to reduce its short-term indebtedness. Loans to the economy were therefore the main source of new liquidity in 1966: according to estimates (still provisional) bank lending increased by FF 19000 million — which would mean a distinct rise in the growth rate, from 12% to 14.5%.

When, in the spring of 1966, the Committee examined the monetary and financial situation of France, it recommended that the authorities should endeavour to ensure that the more favourable business conditions were not accompanied by an upward price trend appreciably greater than that already predicted. It pointed out that although the policy of controls was making it possible to slow down the upward price movement, an income policy designed to prevent an undue expansion of production costs was also needed. It advised the authorities to avoid, in particular, anything which might make it more difficult to narrow the gap between the rate of increase and wage and salary incomes and the average improvement in productivity, since in its view too substantial an increase in distributed incomes would be liable not only to cause too steep an expansion of consumption, but also to hamper the efforts being made to stimulate investment.

The Committee noted that advances in equipment were to be made easier by an extension of financing facilities available to industry; it welcomed the relevant measures adopted in 1965 and expressed the hope that the action put in hand would be pursued. It pointed out that means for restraining overall demand were available should it prove necessary to combat inflationary pressures. The arsenal of monetary policy instruments was subsequently further improved by the introduction, in January 1967, of a monetary reserve system superseding the old special system of minimum reserves ("coefficient de trésorerie"). A provisional adjunct to the new arrangement is a rule concerning compulsory employment of funds at medium term.

Lastly, the Committee noted that the French authorities have remained loyal to the principle of budget equilibrium. This should not, however, be an end in itself, and it might well prove necessary to give the budget a more reflationary or deflationary twist when it is seen how overall demand is developing.

ITALY

The expansion of the Italian economy continued in 1966. Gross national product in real terms increased by about 5.3%, against 3.4% for 1965. Activity was supported not only by demand from abroad but increasingly by domestic demand as well, notably private consumers' expenditure and gross fixed asset formation.

Exports of goods and services, nevertheless, remained the major factor in expansion, although their advance slowed down after the summer. For 1966 the year-to-year increase by volume was about 11.6%. Private consumers' expenditure increased by 5.5%, with the emphasis of demand on durable goods. Gross fixed asset formation, which had dropped more than 7% in 1965, rose again by about 6.2%, mainly owing to a recovery in building and construction.

Industrial production was nearly 11.7% up on the 1965 figure. However, the employment situation showed hardly any improvement, save that the number of hours worked per person employed increased slightly. On the other hand, substantial productivity gains were achieved because firms were running nearer to capacity than in 1965.

Business activity expanded in an atmosphere of relative price stability. The consumer price index showed a year-to-year increase of about 2.3%, which is appreciably less than in preceding years.

The more marked recovery of business activity stimulated a sharp increase in imports (16.2% by volume for 1965, compared with a fall of 1.2% for 1965), and this led to a heavier deficit on the trade balance and consequently a decline in the surplus on current account. The overall balance of payments closed in 1966 with a surplus of Lit. 435 000 million compared with Lit. 966 000 million in 1965. This situation was reflected in an improvement in Italy's net position with the IMF of Lit. 209 000 million (in

1965 the improvement had been Lit. 252 000 million) and in an increase in the net position of the commercial banks of Lit. 255 000 million (in 1965 the improvement had been Lit. 397 000 million) while net official external holdings (excluding net position with the IMF) declined by Lit. 29 000 million (in 1965 there had been an improvement under this heading of Lit. 347 000 million).

The payments situation therefore contributed less to the expansion of liquidity than in 1965. On the other hand, banks' lending to the economy and to the public sector, particularly in the form of purchases of bills and securities, increased sharply, so that bank liquidity contracted.

When, in June 1966, the Committee examined the monetary and financial situation of Italy, it expressed the opinion that, in view of the scale of the recovery so far and the need to ensure balanced progress in the future, it would be undesirable for the authorities to take support measures over and above those already implemented or being adopted.

The Committee did not rule out the possibility that an increase in public expenditure leading to a heavier deficit might engender further inflationary strain. Thus the objectives of monetary and financial policy and the problems to be solved were not the same as in 1965. What was needed in the immediate future was careful supervision of expenditure programmes, so that the authorities could adapt them flexibly to the needs of domestic equilibrium. In the longer term, the share of investment in central government disbursements should be increased at the expense of consumption and current transfer payments, the relative expansion of which had, in past years, been particularly marked. In addition, it was recommended that the Italian authorities should endeavour to establish better co-ordination of actual expenditure by the various public institutions, including the local authorities.

If funds were to be found to cover the financing requirements of the public sector which is saving very little) and of industry, where profit margins are not yet back to normal, the Committee felt that it was essential to develop household saving and to channel it more towards the capital market. For this purpose, the Italian authorities ought to improve the functioning of the market and to implement as rapidly as possible the measures by which private saving was to be encouraged and savers' access to a much wider range of investments to be facilitated.

With regard to the balance of payments, the Committee considered that the expansion of domestic demand could be expected to lead, in the following year, to a marked reduction in surpluses, which had been excessive. In the meantime, these foreign exchange inflows would nevertheless cause a sharp increase in the liquidity both of the banking system and of the economy in general. The Committee welcomed the measures taken by the central bank to neutralize surplus liquidities and to channel part of the surplus towards those industries where an injection of fresh vigour was still particularly necessary.

The Committee would like to draw the attention of the Italian authorities to the potential dangers of a mounting volume of liquidity caused by persistent payments surpluses and the use of short-term borrowing to cover Treasury deficits: the excess of liquidity might well diminish the effectiveness of a restrictive policy, should circumstances render such a policy necessary.

NETHERLANDS

Expansion continued during the first half of 1966 at the high rate recorded in 1965, but the pace appears to have slackened during the rest of the year. An early result of this change was a substantial decline in the pressure on the labour market. In the second half of the year, unemployment rose from 1.1% to 1.6% of persons in paid employment, and the number of unfilled vacancies declined appreciably. Gross national product in real terms seems none the less to have increased once again, this time by about 4.5%, compared with 5.4% for 1965. The maintenance of a high rate of growth is to be put down mainly to the marked development of industrial investment and of public expenditure. Private consumers' expenditure probably increased by no more than a small margin.

The lively progress of imports of goods and services was only partly offset by the expansion of exports, which was slower than it had been in 1965; the current account (on a transactions basis), which had balanced out in 1965, closed in 1966 with a deficit of about Fl. 800 million. The overall balance of payments closed in 1966 with a deficit of Fl. 192 million, compared with Fl. 103 million in 1965. This heavier deficit was reflected in a decline in official reserves (excluding the IMF position) of Fl. 46 million (in 1965 the decline had been Fl. 71 million) and in a deterioration in the commercial banks' net holdings abroad of Fl. 344 million (in 1965 the decline had been Fl. 370 million); the net position with the IMF improved by Fl. 198 million (in 1965 the improvement had been Fl. 338 million).

Receipts from taxation were lower than expected; partly for this reason the central government resorted to short-term financing, and so helped to boost domestic liquidity. Short-term borrowing by the local authorities had the same effect, as did borrowing by the private sector, whose finance requirements — geared to expanded production and higher prices — again increased considerably.

The expansion of short-term bank lending in the first four months of 1966 exceeded the limits laid down, but this was more than offset during the rest of the year. The increase in medium-term lending was considerable, though not greater than the rise in the commercial banks' medium- and long-term liabilities. Credit was therefore held within the limits fixed by the Nederlandsche Bank, the aim of which is to ensure that the domestic creation of liquidity should be in line with the trend of production in real terms. However, since the public sector made heavier calls on the money market than expected, the domestic creation of liquidity ultimately exceeded the desired limit. Mainly because of the payments deficit, the "liquidity quota" — i.e. the volume of domestic liquidity as a proportion of national income at current prices — none the less declined once again in 1966.

The upward movement of consumer prices was appreciably more rapid than in 1965 (6% instead of 4%), and production costs — with wage increases running well ahead of productivity gains — continued to grow.

In its last annual report the Committee had noted that satisfactory equilibrium could not be restored in the Dutch economy unless greater use is made of the instruments provided by the budget. The severe strain on the capital market, due mainly to the heavy financing requirements of the public sector, was liable to hamper the growth of private investment and thus be a threat to the attainment of the objectives of harmonious longer-term growth. The Committee had accepted that the restoration of equilibrium was not feasible in 1965, but hoped that this would be achieved by 1966.

When it examined the monetary and financial situation of the Netherlands at its session of 8-9 December 1966, the Committee found that its hopes had not yet been realized. The responsibility for a counter-cyclical policy having had to be assumed mainly by the central bank, certain industries, notably building and construction, were affected much more than others. The growing strain on the money market was matched by a further tightening of the capital market, so that to finance the deficit on its operations, the public sector was compelled to use short-term funds to a substantially greater extent than had been expected.

The Committee noted that the draft 1967 budget tabled in the Dutch Parliament before the constitution of a new Government in November 1966 was framed along the right lines: it involves a slower expansion of current expenditure. Developments in recent years, when actual expenditure considerably exceeded estimates, are one factor among several suggesting that the slowdown in the progress of expenditure will be achieved only if the authorities keep more strictly to the draft budget as presented. The new Government has deferred for six months the reduction in wages and income tax planned for 1 January 1967 and brought forward to 1 July 1967 the increase in turnover tax scheduled for the beginning of 1968. The increase in public saving through these measures should enable the Government to step up the flow of capital available to the local authorities, so that they will not need to cover part of their needs, as in 1966, by short-term borrowing.

This budget policy is in line with the Committee's recommendations. It would diminish the danger of inflation and at the same time favour economic growth through the maintenance of public investment at a high level. It would also help to create the conditions necessary for any relaxation in monetary restrictions which might become desirable. The relaxation of strain on the capital market which could result from it would also facilitate the development of private investment, thus helping to adjust the pattern of overall demand.

In the implementation of a more balanced economic policy, incomes policy assumes special importance. The very lively progress of wages in recent years has to a large extent been reflected in higher costs, and threatens increasingly to price Dutch products out of world markets. Something must therefore be done to prevent the increase in wages and salaries running ahead of productivity gains. In this connection, the Committee notes that the Dutch authorities propose to limit to 4-4.5% all wage improvements conceded in collective agreements negotiated in 1967. None the less, given the trends in other components of remuneration and the impact of current agreements, this target corresponds to an increase in income per person in paid employment of about 8% and will still produce a considerable increase in unit wage costs for 1967. A more strict limitation of the upward movement in production costs and a better policy mix are indispensable if the Dutch economy is not to suffer in future years from both inflation and falling employment.

BELGIUM

Economic expansion in Belgium continued in 1966 at the same rate as in 1965, the increase in real gross national product having been a little more than 3%. The growth of external demand lost momentum, mainly because business conditions in certain countries which are the major customers of Belgium, such as the United Kingdom and the Federal Republic of Germany, had moved into a slack period. The growth of domestic demand on the other hand, gathered a little pace in 1966, spurred on by public consumption expenditure and the increase in building and in gross fixed asset formation by industry. Household consumption seems to have increased at much the same rate as in 1965.

While economic expansion maintained a stable rate, prices registered a pronounced rise, due mainly to the upward movement of unit wage costs, which continued although strain on the labour market eased a little. Consumer prices rose by about 4%. It should, however, be noted that the rate of increase has eased a little in recent months.

Expenditure on imports in the Belgo-Luxembourg Economic Union rose sharply, especially during the first six months of the year; the annual average was up 10.2%, against 6.8% in 1965. As exports also slowed down, especially during the final six months — the annual average was 4.9%, against 10% in 1965 — the current balance of payments deteriorated closing with a deficit of Bfrs. 4 900 million. The overall balance of payments closed in 1966 with the deficit of Bfrs. 5 600 million, compared with the surplus of Bfrs. 8 500 million in 1965. This deficit was reflected in a decline in official net external holdings (excluding the IMF position) of Bfrs. 1 300 million (in 1965 there had been an improvement of Bfrs. 2 600) and a deterioration in the net external holdings of the commercial banks (including certain financial and non-monetary institutions) of Bfrs. 7 300 million (in 1965 this item had shown an improvement of Bfrs. 500 million), while the net position with the IMF improved by Bfrs. 3 000 million (following an improvement in 1965 of Bfrs. 5 400 million).

The payments deficit had the effect of curbing the expansion of domestic liquidity, but public-sector cash operations and the expansion of bank lending to the private sector, although subject to official limits, tended to support it. The upward movement of interest rates continued both on the money market and on the capital market. Partly due to the increase in interest rates abroad, it seems to have been mainly the result of disequilibrium between the supply of savings and the demand for capital emanating from both the public and the private sectors.

The Banque Nationale endorsed the upward movement in interest rates by raising Bank rate on 2 June 1966 from 4.75 to 5.25%. On 28 April 1966 it called on the banks to ensure that credits granted should not at any time during 1966 be more than 12% greater than the total of credits outstanding on 31 December 1965; a similar limitation, but with a number of concessions, has been maintained for the first half of 1967. Measures to slow down expansion have also been applied with regard to lending by public institutions, by private savings banks and by the life-assurance companies.

When, in the autumn of 1966, it examined the monetary and financial situation of Belgium, the Committee felt that there was no reason to vary to any appreciable extent the conclusions it had reached at its previous examination in 1965. The general trends discernible in the last months of 1966 induced the Belgian authorities to maintain the very cautious budget and credit policies pending really convincing signs of relaxation.

As in previous years, the Committee devoted special attention to the problem of public finance. In view of the measures taken it looked as if the balance of the ordinary budget would be restored in 1967, but the burden of the extraordinary budget and of the investment expenditure outside the budget, which for three consecutive years had been maintained at a fairly constant level, was liable to increase appreciably. At the same time there was, in view of the slowdown in economic expansion, some uncertainty as to future receipts from taxation. Early in 1967 these doubts proved well-founded, and the possibility that a deficit might again emerge induced the Belgian Government to work out a general financial reorganization plan which included the measures needed to get the economy under way again. This operation was all the more necessary since in 1966 cash deficits at the Treasury were still being financed to a considerable extent by calls on the money market. Long-term issues were taken up in large measure by the banking system. Either directly or through the Belgian banks, the Treasury drew an extra Bfrs. 4 900 million from foreign sources.

This situation means that unless the efforts already put in hand to ensure that public saving will cover an increased share of central government investment are maintained, it will be impossible to avoid excessive strain on the capital market and recourse to short-term borrowing by the Treasury.

LUXEMBOURG

As in the previous year, economic expansion was moderate in 1966. The gross national product at constant prices increased by only about 2%, compared with 1.5% in 1965. As the slowdown in the growth of exports continued, owing mainly to the decline in foreign demand for iron and steel products, there was no external contribution to expansion, despite the increase in deliveries from the new industries recently set up in the Grand Duchy. All in all, exports of goods and services increased 3.5% by volume, compared with a figure of 4.5% for 1965.

The development of domestic demand, while remaining moderate, gathered some slight momentum, owing largely to an increase in public expenditure on goods and services; private consumers' expenditure increased at the same rate as in 1965 (3% by volume). Thanks to the expansion of public investment expenditure, gross fixed asset formation for the year declined less than in 1965 (by 6.5% by volume, against 18% in 1965).

Because strain on the labour market continued, wage increases again exceeded the advance of productivity and continued to force up costs. As the increase in import prices also exerted pressure on prices, their upward movement was little slower than in 1965.

On the capital market, both the public sector and the private sector were calling for more funds, and so strain increased; this led to an appreciable increase in interest rates.

When, in October 1966, the Committee examined the monetary and financial situation in Luxembourg, it concentrated on the trend of the public finances. It noted that a rapid increase in the public debt, which had been stable for many months, and the persistence of certain pressures on the labour market, on wages and on prices suggested that appropriate measures should be taken, but the Committee also recognized that a small country like the Grand Duchy, surrounded by neighbours whose economies are by and large in an expansionary phase, does not have quite the same liberty of action as a larger country with more diversified activities. It felt nevertheless that although the deterioration of public finances can be accepted in so far as it reflects a reduction in the growth of revenue, due to the iron and steel situation, the authorities must ensure that budget policy should not itself add to inflation pressures. This is why it recommended not only that the authorities should try to see that the excesses of expenditure over the 1966 budget estimates are not repeated in 1967, but also that they should endeavour — as seems to be the intention of the new Government — to bring about a reduction in the rate of growth of the Government's commitments. Such a policy commends itself all the more since persistence until 1968 of the current difficulties in the iron and steel industry could further aggravate the problem of the public finances.

ANNEX

THE COMMITTEE MEMBERS AND ALTERNATES

Chairman :

Jonkheer Mr. E. van LENNEP	Thesaurier-generaal bij het Ministerie van Financiën (The Hague)

Vice-Chairmen :

M. B. CLAPPIER	Sous-gouverneur de la Banque de France (Paris)
Dr. O. EMMINGER	Mitglied des Direktoriums der Deutschen Bundesbank (Frankfurt/Main)

Members :

M. P. BASTIAN	Commissaire du gouvernement (Luxembourg)
Dott. F. BOBBA *(until 15 February 1967)*	Director-General for Economic and Financial Affairs in the EEC Commission (Brussels)
M. F. DE VOGHEL	Vice-gouverneur de la Banque Nationale de Belgique (Brussels)
M. T. de VRIES	Director in the Directorate-General for Economic and Financial Affairs in the EEC Commission (Brussels)
M. M. D'HAEZE	Directeur général de l'administration de la trésorerie et de la dette publique, Ministère des finances (Brussels)
Dr. R. GOCHT	Ministerialdirektor, Bundesministerium für Wirtschaft (Bonn)
M. J. HEINEN *(until 9 June 1966)*	Conseiller de direction à la Caisse d'épargne de l'Etat (Luxembourg)
Dott. R. OSSOLA	Capo del servizio studi di economia internazionale della Banca d'Italia (Rome)
M. M. PEROUSE	Directeur du Trésor, Ministère de l'économie et des finances (Paris)
Prof. G. STAMMATI	Direttore generale del tesoro, Ministero del Tesoro (Rome)

Mr. J.H.O. graaf van den BOSCH	Directeur der Nederlandsche Bank N.V. (Amsterdam)
M. R. WEBER *(from 9 June 1966)*	Membre du Comité de direction de la Caisse d'épargne de l'Etat (Luxembourg)

Chairman of the Alternates:

Mr. A.W.R. Baron MACKAY	Onderdirecteur der Nederlandsche Bank N.V. (Amsterdam)

Alternates:

M. F. BOYER de la GIRODAY	Head of Division in the Directorate-General for Economic and Financial Affairs in the EEC Commission (Brussels)
Dott. M. CARDINALI	Ispettore generale delle valute, Ministero del commercio estero (Rome)
Dott. L. FRONZONI	Delegato della Banca d'Italia per Benelux (Brussels)
M. G. JENNEMANN *(from 9 June 1966)*	Bankoberrat, Deutsche Bundesbank (Frankfurt/M)
M. H. KOCH	Directeur du service des études à la Banque de France (Paris)
H. MARETSCH *(until 26 May 1966)*	Ministerialrat, Bundesministerium der Finanzen (Bonn)
Prof. J. MERTENS de WILMARS	Onderdirecteur der Nationale Bank van België (Brussels)
M. MEULEMANS	Ministère des finances (Brussels)
M. C. PIERRE-BROSSOLETTE	Directeur-adjoint à la direction du trésor, Ministère de l'Economie et des finances (Paris)
M. N. ROLLMANN *(from 9 September 1966)*	Conseiller de direction à la Caisse d'épargne de l'Etat (Luxembourg)
Dr. G. SCHLEIMINGER *(until 9 June 1966)*	Bankdirektor, Abteilungsleiter in der Deutschen Bundesbank (Frankruft/Main)
M. M. SCHMIT	Chef du service du budget (Luxembourg)
Dr. H. STEFFE	Director in the Directorate-General for Economic and Financial Affairs in the EEC Commission (Brussels)

Drs. D.M.N. van WENSVEEN	Ministerie van Financiën (The Hague)
Miss Dr. G. WILLMANN *(from 6 September 1966)*	Regierungsrat, Bundesministerium der Finanzen (Bonn)

Secretariat:

M. R. de KERGORLAY
M. G. LERMEN

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