# Editorial

Dr. Fritz Franzmeyer,
head of the "International Economics" department asks:

"Is European Monetary Union drawing closer?"

*The debate in Germany on European Monetary Union is becoming schizophrenic. While technical, objective commentaries are being written about the preparations for "the big day", the political view is spreading that monetary union may not occur after all, or at least not for a long while. Strict convergence is more important than mere dates, it is argued. There has even been talk of a supplementary treaty to ensure greater budgetary discipline as a precondition for entry into the third stage. If Germans must face a Euro-currency at some stage, then surely it should not be the 'weak' ECU, but perhaps something more suitable like the Euro-franc, or how about the Euro-mark?*

*Yet this is faint-hearted and wishful political thinking, reliant on developments such as the new French president pursuing an anti-European policy, or at least abandoning strict orientation towards economic convergence; or on hopes of the failure of the governmental conference or of a popular protest movement. For the big day has in fact already been decided: 1 January 1999, even if only a small number of countries – Germany and France among them – enter monetary union at that time. What they will then print on their banknotes is a question of secondary importance. More significant is the – still completely open – question: "Which monetary policy should the European central bank pursue?".*

*To mollify popular resentment with soothing statements, so that it does not surface until it is too late, is potentially dangerous. Therefore it is better to take the bull by the horns. Public opinion is responsive to good arguments, provided, of course, that these are put forward. Yet Germany is void of any concerted campaign to drive home the advantages of monetary union.*

*The aim of such a campaign should be first and foremost to dispel the fear that the Euro-currency would be less stable than the D-Mark: on this point the Treaty is stricter than prevailing German law. Moreover, what interest can a monetary union – unavoidably restricted in the initial stages to the most stable European countries – have in a weakening of its "recipe for success"? The convenience and security to tender the same currency in all the countries in the Union – a circle which will later widen – should not be underrated. It is of particular importance for firms and investors in view of the ever-increasing volatility of financial markets. A Europeanisation of exchange rate policy also offers the chance of stabilising rates with respect to the dollar and the yen. The decisive benefit, however, is that monetary union provides "recognition" of the economic interdependency of member states and this may lay the foundation for a new and vital European identity. This must be made clear to those countries lagging behind. In the longer term all the member states will have an economic interest in the union. As far as market integration is concerned, one should remember the fact that the original European Six who pushed ahead did not split, but rather united Europe.*